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United Nations Population Fund

Financial report and audited financial statements

for the year ended 31 December 2012

and

Report of the Board of Auditors

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30 June 2013

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Population Fund for the year ended 31 December 2012.

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the United Nations Board of Auditors

The President of the General Assembly
United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Population Fund (UNFPA), which comprise the statement of financial position for the year ended 31 December 2012, the statement of financial performance, the statement of changes in net assets, the cash flow statement and the statement of comparison of budget to actual amounts, as well as the notes to the financial statements.

Management's responsibility for the financial statements

The Executive Director is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether owing to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Population Fund as at 31 December 2012, and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNFPA that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of UNFPA and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and Regulation 16.1 of the Financial Regulations and Rules of UNFPA (UNFPA/FIN/REG/Rev.9) and the related annex thereto, we have also issued a long-form report on our audit of UNFPA.

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the United Kingdom
of Great Britain and Northern Ireland
Chair of the United Nations Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the United Republic of Tanzania
Lead Auditor

(*Signed*) **Liu** Jiayi
Auditor-General of China

30 June 2013

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Population Fund is an international development agency that promotes the right of every woman, man and child to enjoy a life of health and equal opportunity. It supports countries in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every birth is safe, every young person is free of HIV/AIDS and every girl and woman is treated with dignity and respect.

The Board of Auditors has audited the financial statements and reviewed the operations of UNFPA for the year ended 31 December 2012. The audit was carried out through field visits at country offices in Nigeria, Panama, the Philippines, Rwanda, Sierra Leone and Thailand, the Regional Office for Latin America and the Caribbean and the Procurement Services Branch in Copenhagen, as well as a review of the financial transactions and operations at headquarters in New York.

Audit opinion

The Board has issued an unqualified audit opinion on the financial statements of United Nations Population Fund for the year ended 31 December 2012. The opinion of the Board is reflected in Chapter I of this report.

Overall conclusion

UNFPA adopted IPSAS in 2012, which brought about significant changes to its accounting policies. These include the preparation of financial statements on an annual, rather than a biennial, basis. The adoption of the new IPSAS accounting policies also resulted in significant changes to the reporting of assets and liabilities. The analysis of the Board of the financial position of UNFPA as at 31 December 2012 notes that the organization is in good financial health. The Board considers that the implementation by UNFPA of the IPSAS accounting framework in 2012 was a major achievement. In response to a number of observations raised by the Board during its final audit regarding mistakes or omissions in areas such as treatment of employee benefits property, plant and equipment, UNFPA made the proper adjustments to its draft financial statements, strengthening their accuracy and comprehensiveness. UNFPA now faces the challenge of improving systems, strengthening internal controls and improving decision-making processes and financial management if it is to realize the full potential benefits of IPSAS based financial information. To ensure adequate accountability in the context of a highly decentralized structure, UNFPA also needs to consider further strengthening its oversight and monitoring of field-level activities.

Key findings

The Board identified a number of issues that require active consideration by management. In particular, the Board highlights the following.

Follow-up of previous audit recommendations

Of the 61 recommendations made by the Board for the biennium 2010-2011, 25 (41 per cent) were fully implemented; 32 (52 per cent) were under implementation; 3 (5 per cent) were not implemented; and 1 (2 per cent) was overtaken by events. The Board noted that UNFPA had implemented all the recommendations relating to implementation of IPSAS. The Board also noted an improvement in the implementation of recommendations that were not settled in the biennium ended 31 December 2011. The three unimplemented recommendations related to the harmonized approach to cash transfers system, and are pending owing to the current United Nations Development Group (UNDG) revisions of this framework. Details of the status of implementation of the recommendations of the Board are set out in the annex to the present report.

Financial overview

For the period under review, total revenue was $988.5 million, whereas total expenses amounted to $830.4 million, representing a surplus of $158.1 million. Contribution revenue from regular resources was $437.5 million and from other resources was $503.1 million, and other revenue was $51.1 million in the current year. As permitted by transitional rules, during the first year of presentation under IPSAS only limited comparative information is presented in the statements. The current assets to current liabilities ratio indicates that UNFPA can service its current debt 2.8 times using short-term resources, indicating a healthy position.

Implementation of International Public Sector Accounting Standards

The financial statements for the year ended 31 December 2012 were the first financial statements prepared by UNFPA in accordance with IPSAS. Generally, no significant matter was found that may affect the users' decisions when relying on the financial statements. The Board identified ways to improve the disclosure of property, plant and equipment, as highlighted in the section on the implementation of IPSAS in this report.

Determination of useful life for property, plant and equipment

The Board noted that 21 per cent of all property, plant and equipment with historical cost of $13.4 million were fully depreciated. The Board is concerned that recording assets at zero value without reassessment of their useful lives might distort the fair presentation of the year end results since the economic benefits or service potential associated with those assets and that continue to flow to UNFPA may not be fairly accounted for.

Increases of unfunded employment benefits liabilities

UNFPA has unfunded liabilities of $111.9 million, which include $70.1 million of after-service health insurance, repatriation benefits of $21.9 million, annual leave of $17.2 million and home leave of $2.7 million. The Board noted that unfunded liabilities have increased for three consecutive financial periods, from 32 per cent, 41 per cent and 45 per cent of the total employment benefit liabilities in the periods 2008-2009, 2010-2011 and 2012, respectively. The Board is aware that UNFPA has adopted and implemented a funding strategy that includes mechanisms such as cost

accruals, interest on invested funds and setting aside part of the fund balance available for programming at the end of each year. The increasing percentage of unfunded liabilities increases the risk that the organization may not be able to meet its future employee end of service obligations.

Inventory management

The Board noted that even though UNFPA has a process of tracking and verification of inventory, UNFPA is unable to determine the inventory balances in all country offices at any point in time for the purpose of management reports and planning. Currently, the balances can only be determined manually during physical inventory count. UNFPA introduced a simple inventory management system module known as Channel in December 2012, but the system has not been fully utilized to track and report inventory, and therefore cannot be relied upon to produce information of acceptable quality. The Board considers that the manual process is an inefficient and unreliable way to keep track of goods in transit and ascertain the value of inventory at any particular time.

Procurement and contract management

In relation to procurement activities, the Board found deficiencies, such as (i) procurement contracts that were let on an ex-post facto basis without a clear rationale for not applying the competitive procurement methods; (ii) lack of a clear rationale for waiving competitive procurement or clear reasons for awarding of contracts without necessary reviews by the relevant contract review committee; (iii) the electronic module for recording all contracts and suppliers' information in the Atlas enterprise resource planning system was not activated; and (iv) lack of a consolidated organization-wide procurement plan. While the deficiencies did not result in material errors or non-compliance, there is a need for UNFPA to strengthen the procurement process.

Information technology

Information processed through the enterprise resource planning system in the course of day-to-day operations and the strategic decision-making process by management is vital. UNFPA business operations depend on the Atlas enterprise resource planning system, which is managed by UNDP and is located in the United Nations International Computing Centre in Geneva. The Board performed a general controls review of the information technology environment at the UNFPA head office and the Procurement Services Branch. The Board noted that the procedure for collecting change requests from UNFPA users to their focal point is not documented and it was unclear which staff in each department has authority to propose changes to the system. The Board considers that it is important for the change requests to be originated by users who have a detailed understanding of the business processes in the respective divisions prior to formalizing the requests as a change in the system.

Recommendations

The Board has made a number of detailed recommendations based on its audit that are contained in the body of the report. The main recommendations are that UNFPA:

(a) Review and update the fixed asset management policy and procedures to provide a clear policy on the actions to be taken when property, plants and equipment are fully depreciated; and review the useful life of property, plants and equipment;

(b) Strengthen the implementation of the funding plan as approved so as to increase the funding of employee benefits liabilities and minimize unfunded liabilities;

(c) Improve the use of the inventory management system module "Channel" to ensure full utilization of the system in keeping track of inventories in its field offices, and therefore increase reliability of inventory balances presented in the financial statements;

(d) Strengthen the mechanisms for monitoring and reviewing procurements, taking into consideration risk and cost factors by increasing regular reviews of the performance of the requisition units;

(e) Formalize the system change management procedure by standardizing change request forms and communication along with clearly dedicated responsibility for managing change requests from divisions, departments, countries and regional's offices; and ensure that the user acceptance testing process is properly documented and included in the central server for easy reference.

A. Mandate, scope and methodology

1. The United Nations Population Fund is an international development agency that promotes the right of every woman, man and child to enjoy a life of health and equal opportunity. It supports countries in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every birth is safe, every young person is free of HIV/AIDS and every girl and woman is treated with dignity and respect.

2. The Board of Auditors has audited the financial statements of UNFPA and reviewed its operations for the financial year ended 31 December 2012 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFPA as at 31 December 2012 and the financial performance and cash flows for the year then ended, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing body and whether revenue and expenses have been properly classified and recorded in accordance with the UNFPA Financial Regulations and Rules. The audit included a general review of financial systems and

internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. The audit was carried out through field visits at country offices in Nigeria Panama, the Philippines, Rwanda, Sierra Leone and Thailand; the Regional Office for Latin America and the Caribbean; and the Procurement Services Branch in Copenhagen, as well as a review of the financial transactions and operations at headquarters in New York.

5. In addition to the audit of the financial statements, the Board carried out reviews of UNFPA operations under Regulation 7.5 of the Financial Regulations and Rules of the United Nations. This allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNFPA operations.

6. The Board coordinates with the Division for Oversight Services in the planning of its audits in order to avoid duplication of efforts and to determine the extent of reliance that could be placed on the work of the latter.

B. Findings and recommendations

1. Follow-up of previous audit recommendations

7. Of the 61 recommendations made by the Board for the biennium 2010-2011, 25 (41 per cent) were fully implemented; 32 (52 per cent) were under implementation; and 3 (5 per cent) were not implemented and 1 (2 per cent) was overtaken by events. Details of the status of implementation of these recommendations are set out in the annex to the present report.

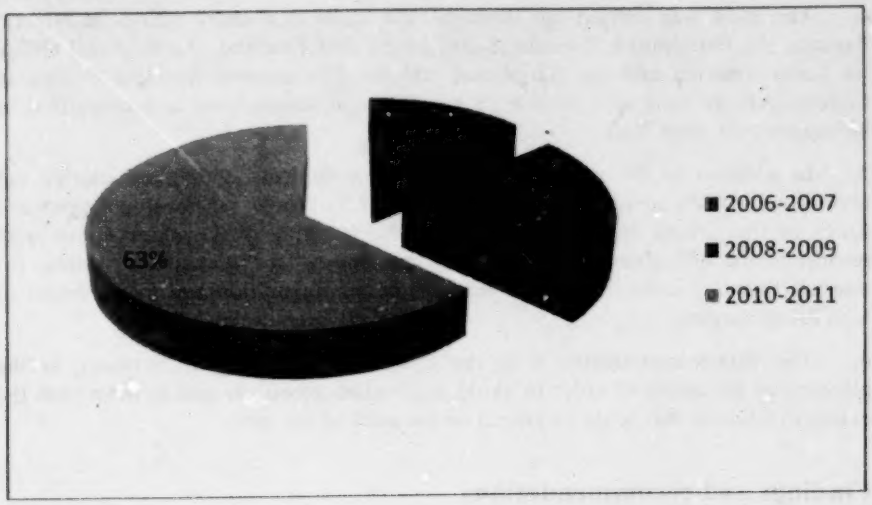
8. The Board noted that the implementation of recommendations that were not settled in the biennium 2010-2011 had improved to 5 per cent, compared with 12 per cent in the prior biennium.

9. The Board also noted that all recommendations relating to IPSAS were implemented. Moreover, the Board noted that UNFPA made gradual progress in the implementation of recommendations relating to asset management, leave management, inventory management, procurement, operating fund advances and education grants. However, these were not fully implemented.

10. The Board evaluated 35 recommendations from previous bienniums that were yet to be fully implemented, and noted that 32 recommendations were under implementation, 3 were not implemented, 5 (14 per cent) were issued for the first time in the biennium 2006-2007 and 8 (23 per cent) were first issued in the biennium 2008-2009, while the remaining 22 recommendations (63 per cent) were first issued in the biennium 2010-2011.

11. The Board noted that all three unimplemented recommendations related to the harmonized approach to cash transfers. The implementation of these recommendations depends on the outcome of the revision of the harmonized approach to cash transfers framework as recommended by the joint audit of harmonized approach to cash transfers governance, which was conducted in 2012.

Figure
Ageing of recommendations under implementation/not implemented for the previous biennium



2. Financial overview

12. The 2012 financial statements are the first issued in compliance with IPSAS and the first annual audited financial statements of UNFPA. Previously the statements were audited on a biennial basis. The presentation of these statements has considerably changed compared with previous years as a result of the implementation of IPSAS accrual accounting policies and requirements. As permitted by IPSAS transitional rules, as this is the first year of presentation, only limited comparative information is presented in the statements.

Operating results

13. For the period under review, total revenue was $988.5 million, whereas total expenses amounted to $830.4 million, representing a surplus of $158.1 million.

Contributions for regular and other resources

14. UNFPA receives two different types of contribution revenue: regular resources ($437.5 million) and other resources, net of cost recoveries and refunds to donors ($503.1 million). Other resources accounted for approximately 53 per cent of total contributions in 2012. The higher proportion of other resources meant that UNFPA activities were predominantly earmarked and being executed on the basis of specific donor requirements.

Fund balances and reserves

15. The unearmarked resources balance comprises designated fund balances and undesignated fund balances. As at the end of 2012 the undesignated fund deficit was $48.7 million and the designated fund had a surplus balance of $43.1 million.

16. UNFPA maintained two types of reserves: the operational reserve and the reserve for field accommodation. As at the end of 2012, the operational reserve was $87.2 million and the reserve for field accommodation was $6.1 million.

Cash and investments

17. As at 31 December 2012, cash and highly liquid investments held by UNFPA totalled $616.8 million. In compliance with IPSAS, highly liquid investments with a maturity of three months or less ($357.6 million in 2012) are classified as cash equivalents. Investments maturing after one year totalled $311.6 million. The UNFPA investment portfolio as at 31 December 2012 amounted to $905.8 million. Year-on-year yields on investments fell to an average of 1.0 per cent from 1.4 per cent in the previous year.

Assets and liabilities

18. With the implementation of IPSAS, in 2012 UNFPA recognized and disclosed the following new classes of assets: inventory ($15.8 million at 1 January 2012; $35.7 million at 31 December 2012) and property, plant and equipment ($31.6 million at 1 January 2012; $32.0 million at 31 December 2012). The opening value of employee benefits liabilities was also restated to reflect the change from the "actuarial" to the "actual" method for the calculation of the annual leave liability.

Financial ratios UNFPA

19. The table below contains key financial ratios extracted from the financial statements.

Table
Financial ratios UNFPA

Description of ratio	*31 December 2012*	*1 January 2012*
Current assets: current liabilities	2.8	4.1
Total assets: total liabilities	2.3	2.6
Cash and equivalent: current liabilities	**1.3**	**1.1**

Source: UNFPA financial statements.

20. The ratios set out in the table show that current assets are approximately 2.8 times greater than current liabilities and that total assets are around 2.3 times greater than total liabilities, reflecting UNFPA ability to meet short-term obligations. Also, cash to current liabilities shows the extent of cash available to settle short-term debts at about 1.3 times. The ratios show a financial healthy position of UNFPA as at 31 December 2012.

3. Implementation of the International Public Sector Accounting Standards

21. The financial statements for the year ended 31 December 2012 were the first financial statements prepared by UNFPA in accordance with IPSAS. The Board reviewed IPSAS opening balances and end-of-year financial statements. Generally, no significant matter was found that may affect the users when relying on the

financial statements. However, the Board highlighted some issues for further improvement of the financial statements.

Determination of useful life for property, plant and equipment

22. IPSAS requires the residual values and the useful lives of assets to be reviewed at least annually. The Board noted that property, plant and equipment with historical cost of $13.4 million, equivalent to 21 per cent of all assets of UNFPA, were fully depreciated and still in use. Although these assets are disclosed in note 8 to the financial statements, both the assets management policy and the property, plant and equipment policy do not consider fully depreciated assets with continuing service potential.

23. The Board is concerned that the 21 per cent of UNFPA assets remaining in use though are fully depreciated, may indicate a deficiency in the existing policy to appropriately guide management on the best course of action under IPSAS reporting requirement.

24. **The Board recommends that UNFPA: (i) review and update the fixed asset management policy and procedures to provide a clear policy on the actions to be taken when property, plant and equipment are fully depreciated; and (ii) review the useful life of property, plant and equipment.**

25. The UNFPA management explained that (i) the difference between the useful life mentioned in the UNFPA policy and the average economic life of the assets as reported above is not very significant and does not materially distort the financial statements of the organization; (ii) UNFPA is still accumulating experience in identifying precise trends in terms of average economic life of its assets, which may vary among country offices; and (iii) UNFPA plans to review the identified useful life parameters in the light of the experience accumulated in the past years and in the context of its 2013 IPSAS project workplan.

Weaknesses in asset management

26. In its previous report (A/67/5/Add.7), the Board noted a number of weaknesses in asset management, including asset certifications that were submitted late by the country offices; some country offices did not perform physical asset counts, some assets were not recorded in the asset register and, in other instances, there was no evidence that the results of the physical count were reconciled to the asset register.

27. During the financial year under review, the Board continued to note weaknesses in assets management at UNFPA headquarters and country offices visited as follows:

(a) In Sierra Leone and Nigeria country offices, assets involving three motor vehicles and four air conditioners, all valued at $107,900 that were acquired in 2012 and in the prior years, were neither capitalized nor included in the assets in-service report in the prior years as required by the asset management policy, although they met the capitalization threshold of $1,000;

(b) In the Nigeria country office the Board found that two motor vehicles that were still in use were not recorded in the in-service assets register. The values of these items were not indicated and could not be determined because supporting documents were not readily available;

(c) In the Sierra Leone, Philippines, Nigeria and Thailand country offices and UNFPA headquarters the Board noted that monthly reconciliations of assets were not performed, contrary to the requirements of paragraph B.2.3 of the UNFPA asset management policy.

28. The Board is of the view that an infrequent or a non-reconciliation of assets movement (acquisitions, disposal, transfer and adjustments) has the effect of the entity not being able to determine accurately the balances in the asset management module of the Atlas enterprise resource planning system. Also, this lapse has a risk of understatement of asset value recorded in the in-service assets report.

29. **UNFPA agreed with the Board's recommendation to: (i) issue a reminder to all country offices to adhere to the requirements of the asset management policy, in particular on recording and reconciliations of assets; and (ii) continue to perform a verification exercise to ensure that all of its assets are recorded on the assets register.**

4. Unfunded employment benefits liabilities

30. The Board noted that for the year ended 31 December 2012, UNFPA reported in the financial statements a total employment benefit of $247.3 million, which included after-service health insurance of $201.6 million, a repatriation grant of $22.4 million, annual leave of $20.4 million and home leave of $2.9 million.

31. Review of note 12 to the UNFPA financial statements revealed that UNFPA has an unfunded liability of $111.9 million, which includes after-service health insurance of $70.1 million, repatriation benefits of $21.9 million, annual leave of $17.2 million and home leave of $2.7 million. The Board is aware that UNFPA has developed and implemented a funding strategy for its end-of-service liabilities.

32. The Board is concerned that the unfunded liability continued to increase for three consecutive financial periods from 32 per cent, 41 per cent and 45 per cent of the total employment benefit liabilities in the periods 2008-2009, 2010-2011 and 2012, respectively. The increasing percentage of unfunded liabilities increases the risk that the organization may not be able to meet its future employee end-of-service obligations.

33. UNFPA management acknowledges an increase in the level of employee benefit liabilities over the last three years and consequently an increased funding gap. Since 31 December 2012, UNFPA has developed three funding mechanisms: (a) discretionary funding whereby at the end of each year the organization sets aside part of the fund balance available for programming; (b) interest earned from the funding that was already set aside; and (c) two new payroll-based accruals to cover funding gaps for annual leave and repatriation benefits liabilities. Also UNFPA outsourced investment management of funds already set aside in order to maximize rate of return generated by these funds. The organization intends to revisit these strategies annually to ensure that the intended funding objective would be met.

34. **UNFPA agreed with the Board's recommendation to strengthen the implementation of the funding plan as approved so as to increase the funding of employee benefits liabilities and minimize the unfunded liabilities.**

5. Inventory management

35. UNFPA recognizes inventory when control has shifted from supplier and after obtaining ownership of goods through relevant documents. Inventories controlled by UNFPA that are not physically received are recognized as inventories in transit.

36. The Board review of inventory management process identified the following deficiencies for headquarters and country offices.

Non-utilization of simple inventory management module Channel

37. The Board noted that even though there is a process of tracking and verification of inventory, UNFPA is not able to easily determine the balances of inventory in all country offices at any point in time for the purpose of management reports and planning. Currently, the balances can be determined only during the physical count of inventory. The Board noted UNFPA efforts in trying to improve management of inventory whereby in December 2012 an inventory system module known as Channel was introduced. This was intended to facilitate the determination of number and value of stock held in the field offices.

38. The Board, however, noted that up to 31 December 2012 the Channel system had not been fully utilized to track and report inventory; instead, UNFPA had to resort to manual processes and compilations to arrive at the inventory balance to be presented in the financial statements.

39. The Board is of the view that the manual system is neither an efficient nor a reliable way to keep track of goods in transit and ascertain the value of inventory at any particular time. In addition, manual compilation increases the risks of errors and therefore might affect reliability of the inventory figure presented in the financial statements.

40. **UNFPA agreed with the Board's recommendation to improve the use of the inventory management system module Channel to ensure full utilization of the system in keeping track of inventories in its field offices, and therefore increases reliability of inventory balances presented in the financial statements.**

6. Consultants, experts and temporary assistance

41. The Board reviewed the management of the consultants, experts and temporary assistance in country offices and noted the following deficiencies.

Use of special service agreements not in line with the policy

42. The Board noted that the use of special service agreements is not in line with the UNFPA policy. For instance, three consultancy firms were engaged by one country office under special service agreements for auditing, cleaning and security services for different periods starting from 1 June 2012. These engagements were against the UNFPA policy on special service agreements, which expressly states that the policy is not meant for incorporated companies.

43. The Board is of the view that entering into a special service agreement with corporate companies (consultancy firms) is contrary to the UNFPA recruitment guide on special service agreements, and may divert from normal procurement process and procedures, which require the agency to use the competitive bidding process to obtain consultants.

44. The UNFPA management informed the Board that issuing special service agreements to the incorporated companies was an oversight. The management also affirmed that it will be more cautious and use competitive procedures for professional services hired by UNFPA.

45. **The Board reiterates its earlier recommendation that UNFPA enhance control over use of special service agreements and only allow special service agreements that are consistent with its policy.**

Service contract evaluation not performed in a timely manner

46. The UNFPA guideline for service contracts requires service contract holders to be evaluated two months before the expiration of the contract and inclusion of justification for the extension under section VII of the service evaluation form. The Board noted that 7 of the 10 reviewed contracts from the Sierra Leone and Thailand country offices were evaluated after the expiration of the contract period and did not indicate justification for renewal. For example, in the Sierra Leone country office a contract was renewed for one year, starting on 1 January 2012, but the evaluation was done on 17 January 2012, meaning that the extension was given without the justification.

47. The management stated that it would establish a service evaluation form for internal usage for timely reappraisal of expiring contracts.

48. Failure to abide by the requirement to evaluate staff performance in a timely manner may lead to continued retention of non-performing staff, while using less binding agreements may have negative legal repercussions, such as losing cases in case of litigations.

49. **UNFPA agreed with the Board's recommendations to abide by the service contract policy by conducting evaluations of service contracts two months prior to the expiration date and provide justification for the renewals.**

7. Human resources management

Weaknesses in leave management

50. In its report (A/67/5/Add.7, paras. 131-132), the Board reported several deficiencies in UNFPA leave administration. The Board reiterated a recommendation it made earlier that UNFPA maintain accurate and complete leave records. The Board further recommended that UNFPA expedite the process of reconciling the manual leave balance and the system balance to ensure accurate and complete leave balances for IPSAS opening balances. Nevertheless, for the year ended 31 December 2012, the Board continued to note deficiencies in leave management throughout UNFPA.

Uses of manual leave records and leave points not reflected in the Atlas enterprise resource planning system

51. The Board reviewed a sample of 53 leave balances related to the financial year ended 31 December 2012 and noted that these were compiled manually, which was inconsistent with the requirement to use the e-services application module. Filling leave forms manually leaves opportunity for human error and increases the risk of misstatements for the leave liability balance.

52. The Board found that in 20 cases examined, staff had certified sick leave not recorded in the Atlas system. The Board also noted that absence processors did not comply with the absence management policy, which requires the submission of leave records to staff and their supervisors on a monthly basis for reconciliation and signature.

53. UNFPA informed the Board that leave adjustments may not be reflected in real time owing to adjustments to leave balances missing the monthly cut-off dates in e-services, as they are not necessarily processed in real time. However, the Board considers that the parallel running of the manual and e-services is not an efficient or economical system.

54. **UNFPA agreed with the Board's recommendations to: (i) improve the e-service application for leave management in order to ensure effective control, accurate recording and processing of leave applications so that the planned output from this application could be achieved; and (ii) establish an internal review mechanism to ensure that leave monitors and absence processors, as well as staff supervisors, are adequately administering and reconciling leave applications.**

Approval and management of special leave

55. The Board reviewed the UNFPA human resources policies on personnel and special leave and revealed that there is no clear delegated authority for approving leave.

56. The Board noted that 19 out of 39 locally recruited and international staff selected for review were granted special leave by the representatives at the country office or the immediate supervisors at the headquarters, without the prior approval of the Director of Human Resources, as required by the learning and career management policy. The Board also noted that Atlas reports on special leave do not specify the duration and the reason for granting special leaves. The special leave report showed that 7 out of 19 staff granted special leave went for periods ranging from one to three years.

57. The Board considers that special leave ranging for a period greater than three months should be administered centrally to ensure that the Department of Human Resources has adequate information and control of the leave taken to avoid a possibility of management losing track of its human resources.

58. The management stated that the staff learning and career development policy was under review and that the provision related to special leave in the policy would be revisited.

59. **UNFPA agreed with the Board's recommendations that it: (i) improve its leave policy to clearly state the role and approval limits so as to ensure that the headquarters have adequate control on endorsement and granting of special leave; and (ii) review Atlas reports on special leave to make it more comprehensive by including duration and reason for granting special leave.**

8. Procurement and contract management, including the Procurement Services Branch in Copenhagen

60. A good procurement function ensures adherence to policies and procedures so that decisions are fair and transparent and obtain the best value for money. UNFPA procures goods and services t support the organization's operations and has a Procurement Services Branch, which is specialized in the acquisition of contraceptives and related commodities along with equipment for supplying to the programme countries.

61. The Board review of the UNFPA specialist Procurement Services Branch procurement activities and processes, as well as the Contract Review Committee, noted some deficiencies in the following areas.

Approval of ex-post facto cases

62. From the review of the Contract Review Committee, the Board noted that examination of 3 procurements costing $1.7 million out of 10 made by the Procurement Services Branch were done on an ex-post facto basis without a clear rationale for not applying the competitive procurement methods. Nevertheless, neither the minutes nor reports from the Procurement Services Branch were specific regarding how long these three contracts were extended after the expiration dates and the clear justifications for the post-facto approval.

Lack of procurement plan

63. The Board noted that UNFPA did not have a consolidated organization-wide procurement plan. Consequently, headquarters departments and field offices did not have procurement plans for the year 2012. The Board considers that a consolidated procurement plan would allow the entity to organize its requirements into requisitions, enable on-time delivery and take advantage of the economies of scale.

Non-activation of contracts and suppliers' information in the Atlas enterprise resource planning system

64. The Board noted that the electronic module for recording all contracts and suppliers' information in the Atlas system is not activated. The non-activation of Module for recoding contracts and suppliers' information in the Atlas system may create difficulties in maintaining accurate and complete contracts and suppliers' information for references and evaluations.

65. The Board is concerned about the existence of several instances of non-compliance with procurement procedures. This increases the risk that procurement and contracts will not be fair and transparent and may not deliver good value for money.

66. UNFPA stated that the Procurement Services Branch has launched new procurement procedures that are very descriptive about when to use exceptions to formal methods of solicitation. It specifies the requirements to be fulfilled and the documentations to be provided in order to satisfy the requirements for exceptions. Further, it specifies the requirement to conduct appropriate and proper procurement planning. The Procurement Services Branch has also already taken action to implement the procurement planning tool for the UNFPA Head Office divisions and branches in 2013.

67. **UNFPA agreed with the Board's recommendations to strengthen the mechanisms for monitoring and reviewing procurements taking into consideration risk and cost factors, by increasing regular reviews of the performance of the requisition units.**

9. Harmonized approach to cash transfers

68. Pursuant to General Assembly resolution 56/201, on the triennial policy review of operational activities for development of the United Nations systems, the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), UNFPA and the World Food Programme (WFP) (referred to as the United Nations Development Group Executive Committee agencies) adopted a common operational framework for transferring cash to government and non-government implementing partners. Its implementation is aimed at reducing transaction costs and the burden that the multiplicity of United Nations procedures and rules creates for its partners.

69. In its previous report (A/67/5/Add.7), the Board raised concerns about the failure of UNFPA to implement the harmonized approach to cash transfers within the time frame as planned. The Board noted a number of weaknesses, including lack of progress since the process was introduced in 2005; absence of a proactive process within UNFPA to encourage the self-declared country offices to fully implement the residual processes of certification through the NEX Unit and ineffective monitoring of the implementation of the harmonized approach to cash transfers.

70. The United Nations system decided to revisit the harmonized approach to cash transfers framework. This was done through the joint audit of the governance arrangements for the harmonized approach to cash transfers. The joint audit report was issued on 9 November 2012.

71. The report highlighted several gaps and shortcomings within the harmonized approach to cash transfers framework, including:

(a) Limited implementation of the harmonized approach to cash transfers, with only 29 countries assessing themselves as compliant with the harmonized approach to cash transfers and a low level of completion of macro- and micro-assessments, because of challenges concerning inter-agency coordination and lack of resources at the country level;

(b) Limited assurance about the appropriate use of funds by implementing partners, with major inconsistencies in the implementation approach between countries owing to the delegation of decision-making to the country office level without any central oversight or clearance mechanisms;

(c) Limitations encountered in the use of macroassessment as an effective tool for managing financial risk and determining the cash transfer modality and assurance activities for specific implementing partners;

(d) Lack of clarity on the roles and responsibilities related to the harmonized approach to cash transfers and accountability at the global level;

(e) Lack of coordination of the monitoring of the implementation of the harmonized approach to cash transfers and verification of data, creating challenges regarding the overall accuracy of reports generated;

(f) Universal acceptance of the harmonized approach to cash transfers compliance criteria and the designated authority to certify that compliance was not clearly defined in the harmonized approach to cash transfers framework.

72. The United Nations Population Fund management informed the Board that the findings of the joint audit of the harmonized approach to cash transfers governance were currently addressed through an inter-agency effort to revise the current harmonized approach to cash transfers framework. The inter-agency Harmonized Approach to Cash Transfers Advisory Committee had decided to undertake the revision following the joint audit and the global assessment commissioned by the Advisory Committee. A consulting firm had been engaged in December 2012 and the exercise was still ongoing. The proposed revisions had gone through validation in several reviews and discussions by the involved agencies. The last validation workshop was scheduled on 8 July 2013.

73. **The Board reiterates its previous audit recommendation and concurs with the joint audit team of the harmonized approach to cash transfers governance that there is a need for UNFPA, in collaboration with other United Nations agencies using the harmonized approach to cash transfers, to revisit the framework. The focus should be on either to redesign the framework appropriately or to develop a different and a more effective approach that would achieve the same objectives intended by the harmonized approach to cash transfers framework.**

10. Information technology

74. UNFPA business operations depend on the Atlas enterprise resource planning system managed by UNDP, which is located in the United Nations International Computing Centre. Information processed through the enterprise resource planning system in the course of day-to-day operations and the strategic decision-making process by management is vital.

75. The Board reviewed the information technology environment surrounding the Atlas enterprise resource planning system at UNFPA and conducted procedures in the areas of information technology governance and user access control. The Board noted the following deficiencies.

Lack of adequate documentation on change management process

76. UNDP managed all changes in the Atlas system. UNFPA, on its part, receives proposed change requests from users through its change management focal point, and forward it to UNDP. The Board noted that the procedure of processing changes from UNFPA users to their focal points is not documented, and it was not clear who are the appropriate people of each department to whom changes to the system should be proposed. The Board considers that it is important for the changes to be originated by users who have a detailed understanding of the business processes in the respective divisions prior to formalizing the requests as a change to the system.

77. **UNFPA agreed with the Board's recommendation to: (i) formalize the change procedure by standardizing change request forms and communication, and to provide clearly dedicated responsibility for managing change requests from divisions, departments, countries and regional offices; and (ii) ensure that**

the process of user acceptance testing is properly documented and included in the central server for easy reference.

11. Internal audit and oversight

78. The UNFPA Division for Oversight Services solely performs, manages or authorizes others to perform or manage independent oversight services in internal audits (effectiveness of the governance, risk management and internal control processes and economic and efficient use of resources); in evaluations (independent evaluations and assessment of quality of decentralized evaluations); and in investigations (allegations of violations of applicable regulations, rules and administrative or policy pronouncements). The Board review of the activities of the Division for Oversight Services noted the following.

Vacancies in the Division for Oversight Services

79. In 2012 the average vacancy rate of the Division for Oversight Services was 21 per cent, compared with 8 per cent in 2011. At year end, three posts in internal audit and that of the deputy director were vacant. The recruitment of two internal auditors was completed in 2012, and the selected candidates joined the Division in 2013. The other post of internal auditor was under recruitment at the time of the audit. The absence of a deputy director is one of the major factors contributing to the increase in the average vacancy rate in 2012 compared with 2011. The recruitment of the deputy director was put on hold in view of the developments in the evaluation function.

Internal audit plan

80. According to the 2012 original workplan of the Division for Oversight Services, the total audits to be undertaken were 16 assignments. At year end, seven assignments were completed, including one unplanned assignment. The issuance of the final reports for another 10 audits was carried over to the 2013 calendar year. Additionally, the evaluation branch completed one thematic evaluation; one evaluation of an instrument (thematic fund); and one country programme evaluation.

81. The Board is of the view that the delayed completion of the current year audit plan may affect the audits of the following years owing to the backlog of the previous years' activities.

82. The execution of the 2012 internal audit plan was affected by the vacancy level in the Division for Oversight Services and unforeseen circumstances, the impact of joint audit work, the introduction of a new report format and other factors that limited internal audit staff availability throughout the year. The use of outside audit services to augment the Division's internal audit staff was used as a partial mitigation measure, and the 2013 annual audit plan included the audits carried over from 2012.

83. **The Board recommends that the UNFPA Division for Oversight Services expedite the process of filling auditor vacant post.**

C. Disclosures by management

1. Write-off of contributions receivable, operating funds advances and other assets

84. UNFPA informed the Board that, in accordance with financial regulation 14.5 and rules, losses amounting to $544,563 had been written off in respect of contributions receivable, operating funds advances and other assets.

2. Ex gratia payments

85. As required by regulation 14.4 (a), the Administration reported ex gratia payments for the period under review amounting to $2,492 made for lost luggage to a participant of a joint field mission of the Executive Board.

3. Cases of fraud and presumptive fraud

86. During the year ended 31 December 2012, UNFPA notified the Board of five cases (2010-2011: 9 cases, 2008-2009: 20 cases) of fraud and presumptive fraud. Following is a summary of the fraud:

(i) Fraud regarding contracting the same vendor without a rigorous competitive process;

(ii) Fraud regarding missing consumable (cartridges);

(iii) Fraud regarding the supplier imitating staff member signature and UNFPA stamp on bank reconciliation to benefit for a loan;

(iv) Fraud regarding a credit request letter with a false signature;

(v) Fraud regarding the sale under auction of hormonal contraceptives (Implanon) donated by UNFPA.

D. Acknowledgement

87. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of UNFPA and members of his staff.

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the United Kingdom of
Great Britain and Northern Ireland
Chair of the United Nations Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor-General of the United Republic of Tanzania
(Lead auditor)

(*Signed*) **Liu** Jiayi
Auditor-General of China

30 June 2013

Annex

Status of implementation of recommendations of the Board of Auditors for the biennium ended 31 December 2011[a]

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
(a) Address vacant positions; and (b) shorten the lead time for filling vacancies and ensure that it has sufficient resources to achieve its programme objectives	296	2004-2005	X			
Shorten the lead time for filling vacancies	300	2004-2005	X			
Improve the recording of attendance and leave	313	2004-2005	X			
(a) Clear all long-outstanding amounts from staff education grants; (b) regularly reconcile the accounts to comply with paragraph 11 of information circular ST/IC/2002/5; and (c) consider a revision to the separation process to ensure that outstanding education grants are recovered from staff prior to separation	49	2006-2007	X			
Consider revision to the separation processes	50	2006-2007		X		
Monitor and follow-up on accounts payable	58	2006-2007		X		
(a) Ensure that petty cash is replenished in a timely manner; (b) comply with UNFPA policies and procedures with regard to maintenance of supporting documents relating to petty cash, which could be by way of declaration by the expending official; and (c) ensure that petty cash counts are performed on a regular basis, in accordance with UNFPA financial accountability reporting	116	2006-2007	X			
Follow up on long-outstanding operating fund advances in a timely manner and ensure that funds advances are utilized for intended purposes	197	2006-2007		X		
Comply with policies and procedures regarding the evaluation of vendor performance	232	2006-2007		X		
(a) Comply with the requirements of the UNFPA asset management policy with regard to the bidding process and the award of bids for disposal of UNFPA assets; and (b) review the cases of disposals that were not consistent with UNFPA policies and procedures	251	2006-2007				X

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
Record all assets	281	2006-2007	X			
Maintain accurate and complete leave records	314	2006-2007	X			
Advise suppliers and requisitioners of the importance of utilizing the online tracking system effectively, in monitoring the status of order lead times, quality of goods delivered and evaluating suppliers, while the online tracking system is still in use	379	2006-2007		X		
(a) Implement procedures to monitor the use of waivers and review the validity of the reasons provided by requesting units for waivers; and (b) adequately document and justify the use of waivers	370	2006-2007	X			
Review the process of global payroll services	53	2008-2009		X		
(a) Address the misclassifications of expenditure line items; (b) review the remaining expenditures incurred to ensure all classifications are correct for the biennium; and (c) implement control procedures to ensure that expenditure items are posted to the correct general ledger accounts	65	2008-2009	X			
Follow-up with donors to ensure that available donor funds are utilized for programme implementation, or paid back to donors in a timely manner	68	2008-2009	X			
Take appropriate measures to ensure the validity, accuracy and completeness of the data used in the computation of all post-retirement and end-of-service liabilities in the future financial periods by ensuring that the information pertains to the correct reporting period	90	2008-2009		X		
To reduce the reconciliation/recover time. Staff to be separated must know to submit their evidence of payments prior to obtaining final pay. This is an ongoing activity requiring continued attention from UNFPA	114	2008-2009		X		
(a) Analyse its long-outstanding operating fund balances and identify balances that are not recoverable and consider write-off; and (b) review operating fund advances transactions to identify and correct accounting errors	198	2008-2009	X			
Make payments based on obligating documents	215	2008-2009		X		

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
Submission of asset certifications	256	2008-2009		X		
Update assets registers with correct assets locations	262	2008-2009		X		
Strengthen asset management controls in the field either (a) through reviewing its guidance available to country offices; or (b) through training on asset management. Its initiatives should focus on timely submission of asset certifications; improvements in asset identification and recording, and inventory count procedures	267	2008-2009		X		
Update the status of assets in the asset registers	273	2008-2009	X			
Capitalize the value of the Global Contraceptive Commodity Programme stocks in its financial statements	290	2008-2009	X			
Disclose value of expendable inventory	291	2008-2009	X			
Maintains accurate and complete leave records	309	2008-2009		X		
Follow-up on long-outstanding fund balances	346	2008-2009	X			
Roll-out inventory management system to country offices	25	2010-2011		X		
Review its transactions and general ledger to ensure that transactions and account balances are correctly classified in the correct accounts	30	2010-2011	X			
(a) Clear all long-standing amounts from staff education grants; (b) regularly reconcile the accounts to comply with information circular; and (c) consider a revision to the separation process to ensure that outstanding education grants are recovered from staff prior to separation	33	2010-2011		X		
Follow-up with donors to ensure that available donor funds are utilized for programme implementation, or paid back to donors in a timely manner	39	2010-2011		X		
Monitor the issuance of project progress reports to donors by country offices, as required by the donor agreements	42	2010-2011	X			
Ensure that operationally closed earmarked projects are financially closed in a timely manner	46	2010-2011		X		

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
United Nations system to revisit the harmonized approach to cash transfers framework to address the reasons why the framework has not worked, if the harmonized approach to cash transfers needs to be pursued or revised or if alternate models that support the original objectives can be developed	64	2010-2011			X	
(a) Consider amendments to its harmonized approach to cash transfers implementation guideline to clearly define roles and responsibilities relating to harmonized approach to cash transfers implementation; and (b) in conjunction with other agencies, establish clear deadlines for harmonized approach to cash transfers compliance in the country offices	65	2010-2011			X	
(a) Review the adequacy of the assignment of the responsibility within the organization for UNFPA active participation in the harmonized approach to cash transfers; (b) review the assessment and audit reports to identify the needs of the implementing partners and improve the capacity; and (c) correctly implement the harmonized approach to cash transfers framework to ensure that it provides assurance that funds were used for the intended purposes	66	2010-2011			X	
Sudan country office to complete quarterly field monitoring visits report for all implementing partners	69	2010-2011				X
(a) Follow up on long-outstanding operating fund advances in a timely manner and ensure that funds advances are utilized for intended purposes; (b) reallocate credit balances in operating fund advances to accounts payables	74	2010-2011		X		
(a) Analyse its long-outstanding operating fund balances and identify balances that are not recoverable and consider write-off; and (b) review operating fund advances transactions to identify and correct accounting errors	75	2010-2011	X			
Consider effective controls, with a focus on headquarters monitoring over country office controls, to ensure that the operating fund advance balances are cleared on time	76	2010-2011	X			

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
(a) Provide clarity on the extent of oversight that regional offices should provide to country offices; (b) capacitate regional offices with staff and tools to enable them to carry out the oversight functions; and (c) design and implement the performance measurement system to be used to measure the effectiveness and performance of regional offices	83	2010-2011		X		
Address the weaknesses in regional office architecture as recommended by the Division for Oversight Services	84	2010-2011		X		
Comply with policies and procedures regarding the evaluation of vendor performance	91 and 92	2010-2011		X		
Procurement Services Branch to address the long-outstanding third party balances	95	2010-2011	X			
(a) Implement procedures to monitor the use of waivers and review the validity of the reasons provided by the requesting units for waivers; and (b) adequately document and justify the use of waiver	99	2010-2011	X			
(a) Strengthen the review of ex post facto cases and other submissions to the contract review committee to limit the number of ex post facto cases	103	2010-2011		X		
Develop adequate contract management procedures to identify contracts that will expire to enable it to start the procurement process in good time	104	2010-2011		X		
Procurement Services Branch implement procedures that address potential conflicts of interest in its procurement process	106	2010-2011	X			
Nepal county office review its service contracts to ensure that core functions are not performed by service contractors	108	2010-2011		X		
Sudan country office perform service contracts evaluations and provide justification for the continued use of contracts	110	2010-2011		X		
Strengthen asset management controls in the field either (a) through reviewing its guidance available to country offices; or (b) through training on asset management; its initiatives should focus on timely submission of asset certifications; improvements in asset identification and recording, and inventory count procedures	115	2010-2011		X		

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
Perform physical verification to ensure accuracy and completeness of asset register	116	2010-2011		X		
Disclose in the financial statements the value of unused expendable property at the end of the financial period in order to improve transparency, accountability and financial reporting, and in preparation for the implementation of the International Public Sector Accounting Standards	120	2010-2011	X			
(a) Address vacant positions; and (b) shorten the lead time for filling vacancies and ensure that it has sufficient resources to achieve its programme objectives	124	2010-2011	X			
Expedite finalizing and action of its business plan to redesign some of the posts	126	2010-2011		X		
Implement procedures that would require the preparation and review of payroll reconciliations, at least on a quarterly basis	129	2010-2011		X		
Maintains accurate and complete leave records	133	2010-2011		X		
Expedite the process of reconciling the manual leave balance and the system balance to ensure accurate and complete leave balances for IPSAS opening balances	134	2010-2011	X			
Division for Oversight Services expedite the process of filling vacant posts	144	2010-2011		X		
Addressing deficiencies in regional offices as mentioned in the report of the Division for Oversight Services	147	2010-2011		X		
Total	**61**		**25**	**32**	**3**	**1**
Percentage			**41**	**52**	**5**	**2**

[a] A/67/5/Add.7.

Chapter III
Certification of the financial statements

29 April 2013

I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

I acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements.

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and include certain amounts that are based on the management's best estimates and judgements.

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The Internal Auditor continually reviews the accounting and control systems.

The management provided the Internal Auditor with full and free access to all accounting and financial records.

The recommendations of the United Nations Board of Auditors and the Internal Auditor are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, Bureau of Management, UNDP Office, which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to UNFPA, as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 115.3 (a).

(*Signed*) Subhash K. **Gupta**
Director
Division for Management Services

The Chair of the Board of Auditors
United Nations
New York

Chapter IV
Financial report for the year ended 31 December 2012

Introduction

1. The present report summarizes the information provided in the financial statements of UNFPA for the year ended 31 December 2012.

2. The financial statements comprise 5 statements, 26 notes and 5 schedules, which include information on the operations funded by both UNFPA unearmarked and earmarked resources.

3. The 2012 financial statements are the first issued in compliance with IPSAS and the first annual audited financial statements of UNFPA. Previously the statements were audited on a biennial basis. The presentation of these statements has changed considerably compared with previous years as a result of the implementation of a number of IPSAS accrual accounting policies and requirements. As permitted by IPSAS, only limited comparative information is presented in the statements.

Unearmarked resources

Revenue

4. Unearmarked contributions fell for the third consecutive year to $437.5 million (2011: $450.7 million).

5. In 2012 other revenue of $43.2 million included fees for support services ($23.1 million), investment revenue ($4.7 million) and foreign exchange gains ($7.0 million).

Expenses

6. Programme and institutional budget expenses for 2012 are summarized as follows.

(Millions of United States dollars)

	2012
Programme activities	354.4
Institutional budget	134.2
Other	1.0
Total	**489.6**

Programme expenses

7. The final budget for programme expenses in 2012 was $364.9 million, and 97.1 per cent of this amount was expensed by 31 December 2012.

8. The breakdown of 2012 programme expenses by implementing partner is summarized as follows.

(Millions of United States dollars)

	2012	
	$	*Percentage*
UNFPA	254.8	71.8
Governments and NGOs	97.1	27.4
United Nations agencies	2.5	0.8
Total programme expenses	**354.4**	**100.0**

9. The following United Nations entities executed projects funded by UNFPA in the year ended 31 December 2012:

- International Labour Organization (ILO)
- Food and Agriculture Organization of the United Nations (FAO)
- United Nations Educational, Scientific and Cultural Organization (UNESCO)
- World Health Organization (WHO)
- United Nations Office for Project Services (UNOPS)
- Economic Commission for Latin America and the Caribbean (ECLAC)
- Economic and Social Commission for Asia and the Pacific (ESCAP)
- Economic Commission for Europe (ECE)
- Economic and Social Commission for Western Asia (ESCWA)
- United Nations Children's Fund (UNICEF)
- United Nations Institute for Training and Research (UNITAR)
- United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)
- Office of the United Nations High Commissioner for Refugees (UNHCR)
- United Nations Development Programme (UNDP)
- United Nations Human Settlements Programme (UN-Habitat)
- United Nations System Staff College (UNSSC)

10. Note 19 (a) provides an analysis of programme expenses by country and region.

Institutional budget

11. The gross and net institutional budget appropriations for the biennium 2012-2013 were $292.2 million and $245 million, respectively. The net institutional budget appropriation is calculated by deducting the budgeted amount of indirect costs recovered from earmarked activities. The gross institutional budget amount internally allocated for 2012 was $143.4 million; 93.6 per cent of this amount was expensed as at 31 December 2012.

12. Institutional budget expenses for the year were as follows (details are provided in schedule D).

(Millions of United States dollars)

	2012
Gross expenses	134.2
Credits to the institutional budget*	(20.4)
Net institutional budget expenses	113.8
Total expenses: unearmarked resources	**489.6**
Gross institutional budget as percentage of total expenses	**16.2**

* This amount is calculated as half of the estimated cost recovery presented in the 2012-2013 institutional budget.

Fund balances and reserves

13. In 2012 expenses exceeded revenue by $12.2 million. This was after taking into account a $23.1 million charge in relation to actuarial losses on post-employment benefits liabilities partially offset by a $3.5 million reduction to the level of the operational reserve.

14. The unearmarked resources balance is comprised of two categories: designated fund balances and undesignated fund balances. As at the end of 2012 the undesignated fund deficit was $(48.7) million and the designated fund balance was $43.1 million. The programmable fund balance was $63.2 million on an IPSAS basis, of which an amount of $32.3 million was available for reprogramming in 2013.

15. In 2012 $2.7 million of actual cost recoveries in excess of the amounts based on implementation levels included in the institutional budget were retained in a separate designated fund. They will be used to cover future management and administration costs incurred in implementing programming activities. Other designated fund balances at 31 December 2012 include $1.8 million for procurement services and $38.5 million for a private endowment trust.

Earmarked resources

16. Contributions to earmarked resources in 2012 net of cost recoveries ($23.1 million) and refunds to donors ($7.4 million) totalled $503.1 million. This represents an increase of $84.1 million, or 20.1 per cent, from 2011.

Co-financing

17. Activities financed by co-financing funds are summarized as follows.

(Millions of United States dollars)

	2012			
	Trust funds	*Thematic trust funds*	*Other trust funds*	*Total*
Fund balances as at 1 January (restated after IPSAS adjustments)	226.3	173.4	14.7	414.4
Contributions — gross*	296.9	228.8	2.7	528.4
Programme expenses — gross*	(211.8)	(146.4)	–	(358.2)
Refunds to donors	(7.4)	–	–	(7.4)
Other revenue, expense and adjustments	(0.3)	3.4	1.5	4.6
Fund balances as at 31 December	**303.7**	**259.2**	**18.9**	**581.8**

* Contributions and expenses are presented gross consistent with schedule B.

18. Co-financing fund balances at 31 December 2012 were $581.8 million.

Procurement services

19. Procurement service receipts in 2012 totalled $13.2 million. UNFPA only accounts for its handling fee of 5 per cent as its revenue. At the end of the year UNFPA had $8.2 million in advances for procurement activities yet to be performed and $3.5 million receivables related to procurement activities already performed. The cost of goods procured on behalf of third parties amounted to $34.5 million in 2012.

20. Schedule C provides an analysis of third-party procurement services by category of client.

Financial position

Cash and investments

21. As at 31 December 2012, cash and highly liquid investments held by UNFPA totalled $616.8 million (2011: $581.6 million). Investments maturing after one year totalled $311.6 million (2011: $162.7 million).

22. The UNFPA investment portfolio as at 31 December 2012 totalled $905.8 million (a $170.5 million, or 23.2 per cent, increase compared to 2011); year-on-year yields on investments fell to an average of 1.0 per cent from 1.4 per cent in the previous year.

23. In compliance with IPSAS, highly liquid investments with a maturity of three months or less ($357.6 million in 2012) are classified as cash equivalents (note 3).

Assets and liabilities

24. With the implementation of IPSAS, in 2012 UNFPA recognized and disclosed the following new classes of assets: inventory ($15.8 million as at 1 January; $35.7 million as at 31 December) and property, plant and equipment ($31.6 million as at 1 January; $32.0 million as at 31 December). The opening value of employee

benefits liabilities was also restated to reflect the change from the "actuarial" to the "actual" method for the calculation of the annual leave liability, resulting in a $6.2 million increase.

25. As at 31 December 2012 total current assets were $811.1 million, compared with total current liabilities of $290.8 million, giving a current ratio, which measures the ability of the organization to meet its current obligations, of 2.8.

26. Total assets as at 31 December 2012 were $1,205.0 million. Contributions receivable increased significantly to $178.0 million (2011: $92.9 million) primarily in respect of multi-year co-financing agreements entered into in 2012. Of this amount, $166.5 million was not yet due as at 31 December 2012.

27. Total liabilities as at 31 December 2012 were $517.1 million. Accounts payable increased significantly over the year to $251.1 million (2011: $143.9 million), reflecting higher settlements owing to United Nations system organizations and funds received by UNFPA as an administrative agent of joint programmes. The employee benefits liabilities increased by $43.2 million in 2012, primarily as a consequence of a fall in the discount rate used in a new actuarial valuation.

Chapter V
Financial statements for the year ended 31 December 2012

Financial statements and schedules

Statement I
Financial position as at 31 December 2012
(Thousands of United States dollars)

	Notes	*As at 31 December 2012*	*As at 1 January 2012 (restated, note 2 (b))*
Assets			
Current assets			
Cash and cash equivalents	3	380 129	192 778
Investments maturing within one year	4	236 635	388 839
Inventories	5	35 743	15 819
Contributions receivable (exchange transactions)	6	237	955
Contributions receivable (non-exchange transactions)	6	127 508	60 289
Prepayments and other current assets	6	17 177	15 051
Operating fund advances	7	13 695	9 259
Total		**811 124**	**682 990**
Non-current assets			
Investments maturing after one year	4	311 648	162 716
Contributions receivable (non-exchange transactions)	6	50 276	31 660
Property, plant and equipment	8	31 963	31 563
Total		**393 887**	**225 939**
Total assets		**1 205 011**	**908 929**
Liabilities			
Current liabilities			
Accounts payable and accruals	10	251 056	143 860
Employee benefits	12	27 449	23 286
Other current liabilities and deferred revenue	13	12 334	1 249
Total		**290 839**	**168 395**
Non-current liabilities			
Employee benefits	12	219 891	180 825
Other non-current liabilities and deferred revenue	13	6 330	6 779
Total		**226 221**	**187 604**
Total liabilities		**517 060**	**355 999**
Net assets		**687 951**	**552 930**
Reserves and fund balances			
Operational reserve	14	87 204	90 704
Reserve for field accommodation	14	6 100	5 000
Total reserves		**93 304**	**95 704**
Designated unearmarked fund balances	14	43 055	40 780
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	14	(48 738)	(14 095)
Earmarked resources	Schedule B	600 330	430 541
Total fund balances		**594 647**	**457 226**
Total reserves and fund balances		**687 951**	**552 930**

Statement II

Financial performance for the year ended 31 December 2012

(Thousands of United States dollars)

	Notes		*2012*
Contribution revenue			
Unearmarked contributions	Schedule A		437 499
Less: transfers to other revenue for reimbursement of tax charges			(3 293)
Subtotal			**434 206**
Earmarked contributions	15		510 495
Less: refunds to donors	Schedule B		(7 371)
Subtotal			**503 124**
Total contribution revenue			**937 330**
Other revenue	16		51 142
Total revenue			**988 472**
Expenses			
Funds utilized by implementing partners — Governments and NGOs			198 909
Funds utilized by implementing partners — United Nations agencies			3 642
Funds utilized by UNFPA			627 836
Staff costs		236 652	
Supplies, consumables and operating costs		256 354	
Contracted services		75 594	
Finance costs	17	427	
Travel		45 515	
Depreciation	8	7 763	
Other expenses	18	5 531	
Total expenses			**830 387**
Surplus for the year			**158 085**

Statement III

Changes in net assets for the year ended 31 December 2012

(Thousands of United States dollars)

	Notes	*Fund balances*	*Reserves*	*Total net assets*
Balance as at 31 December 2011				
Changes in accounting policies				
Investments	2.b.i); 4	7	–	7
Inventories	2.b.ii); 5	15 819	–	15 819
Property, plant and equipment	2.b.iv); 8	31 563	–	31 563
Deferred revenue for donated right to use — finance lease similar	2.b.viii); 8	(5 425)		(5 425)
Employee benefits	2.b.vi)	(8 334)	–	(8 334)
Accounts receivable	2.b.iii)	(1 421)		(1 421)
Contributions receivable	2.b.ix)	7 479	–	7 479
Total opening balances adjustments due to IPSAS adoption		**39 688**	**–**	**39 688**
Adjusted opening balance as at 1 January 2012		**457 226**	**95 704**	**552 930**
Movements in fund balances and reserves in 2012				
Transfers to/from operational reserve	14	3 500	(3 500)	–
Staff-related benefits	14	(23 140)	–	(23 140)
Transfers within UNFPA resources				
Reserve for field accommodation	14	(1 234)	1 234	–
Other adjustments		76	–	76
Surplus/(deficit) for the period	Statement II	158 219	(134)	158 085
Total movements during the period		**137 421**	**(2 400)**	**135 021**
Balance as at 31 December 2012		**594 647**	**93 304**	**687 951**

Statement IV

Cash flow for the year ended 31 December 2012

(Thousands of United States dollars)

	Notes	*2012*
Cash flows from operating activities		
Surplus for the period	Statement II	158 085
Foreign-exchange holding (gains)/losses on cash and cash equivalents		(573)
Depreciation	8	7 763
(Gain)/loss on disposal of property, plant and equipment	16, 18	1 182
Investment revenue	16	(7 036)
(Increase)/decrease in inventories	5	(19 924)
(Increase)/decrease in contributions receivable	6	(85 117)
(Increase)/decrease in operating fund advances	7	(4 436)
(Increase)/decrease in prepayments and other current assets		(3 377)
Increase/(decrease) in accounts payable and accruals	10	70 514
Increase/(decrease) in due to/from United Nations agencies	10	54 832
Increase/(decrease) in employee benefits obligations	12	43 229
Increase/(decrease) in other liabilities and deferred revenue	13	10 636
Increase/(decrease) in advances for procurement activities	10	(18 150)
Increase/(decrease) in fund balances and reserves	Statement III	(23 064)
Net cash flows from operating activities		**184 564**
Cash flows from investing activities		
Purchase of property, plant and equipment	8	(9 600)
Proceeds of sale of property, plant and equipment		254
Purchase of investments		(513 011)
Maturities of investments		509 002
Interest received		15 569
Net cash flows from investing activities		**2 214**
Cash flows from financing activities		–
Net cash flows from financing activities		–
Net increase/(decrease) in cash and cash equivalents		**186 778**
Cash and cash equivalents at the beginning of the period	3	192 778
Foreign-exchange holding gains/(losses) on cash and cash equivalents		573
Cash and cash equivalents end of the period	3	**380 129**

Statement V

Comparison of budget to actual amounts for the year ended 31 December 2012

(Thousands of United States dollars)

Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance/balance of resources*
Development activities				
Development effectiveness	26 805	26 549	26 394	155
Programmes	310 400	364 944	332 790	32 154
Management activities				
Recurring costs	113 328	112 525	105 757	6 768
Non-recurring costs	4 200	4 360	2 594	1 766
Total	**454 733**	**508 378**	**467 535**	**40 843**

UNFPA prepares its budget on a modified cash basis.

The scope of the budget for the purpose of this disclosure encompasses the institutional budget plus programme activities funded from unearmarked resources.

The "original budget" is based on the projected unutilized surpluses brought forward and the initial projections of contributions for the year. The "final budget" reflects the actual figures for both these elements at the time of the final allocation.

Expenses on a modified cash basis for budgeted activities are presented as "budget utilization".

Further details are presented in note 23.

Notes to the financial statements

Note 1
Mission statement, organizational objectives and reporting entity

Mission statement

The United Nations Population Fund (UNFPA) is the lead United Nations agency that expands the possibilities for women and young people to lead healthy sexual and reproductive lives. We support countries to promote and protect human rights and in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled.

Organizational objectives

The Fund works to advance the right to sexual and reproductive health by accelerating progress towards achieving Millennium Development Goal 5 (to improve maternal health) with priority on advancing two key Millennium Development Goal targets: to reduce maternal deaths and to achieve universal access to reproductive health, including voluntary family planning. Through that focus, the Fund aims to improve the lives of underserved populations, especially women, adolescents and youth in more than 150 countries. The Fund's work is guided by its expertise in population dynamics, human rights and gender equality and driven by country needs. The Fund is a catalyst for action and advocacy, partnering with Governments, other United Nations agencies, civil society and the private sector to make a positive difference in the lives of billions of people, especially those most in need. In addition, the Fund helps countries to use population data to anticipate tomorrow's challenges through providing empowering technical guidance, policy advice, training and support, and it advocates for the mobilization of the resources and political will necessary to accomplish its work.

UNFPA is guided by, and promotes, the goals and principles of the Programme of Action of the International Conference on Population and Development (1994) and the key actions for the further implementation of that Programme of Action. In particular, UNFPA is committed to advancing reproductive rights, gender equality and male responsibility, and to the autonomy and empowerment of women and girls everywhere. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so. UNFPA believes that safeguarding and promoting those rights and promoting the well-being of adolescents and youth, especially girls, are development goals in themselves.

UNFPA firmly believes that meeting these goals will contribute to improving the quality of life and to the universally accepted aim of achieving sustainable development for current and future generations. These goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends. UNFPA recognizes that all human rights are universal, indivisible, interdependent and interrelated — they apply to all people in all cases.

UNFPA supports efforts to ensure a coherent, coordinated United Nations field presence, under the leadership of a strengthened resident coordinator in a collegial

and participatory resident coordinator system. UNFPA plays an active and leading role in the inter-agency processes to facilitate progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA continues to assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action to ensure that the goals of the International Conference on Population and Development are met.

Reaching the goals of the Programme of Action is also essential for achieving the Millennium Development Goals. These eight goals, which are fully aligned with the International Conference on Population and Development road map, have the overarching aim of reducing extreme poverty by half by 2015. UNFPA brings its special expertise in reproductive health and population and development issues to the worldwide collaborative effort of meeting the Millennium Development Goals. UNFPA, working in multiple partnerships, supports gender-sensitive policies and programmes to achieve the Millennium Development Goals. These partnerships are customized to national and local circumstances and take into account cultural diversity.

Reporting entity

UNFPA is a subsidiary organ of the General Assembly. It receives overall policy guidance from the General Assembly and the Economic and Social Council. On administrative, financial and programme matters UNFPA reports to its governing body, the Executive Board of the United Nations Development Programme (UNDP), UNFPA and the United Nations Office for Project Services (UNOPS).

UNFPA has its headquarters located in New York and operates in over 150 regional, subregional, country and liaison offices located around the world.

Note 2
Accounting policies

UNFPA adopted the International Public Sector Accounting Standards (IPSAS) effective 1 January 2012. The present financial statements are the first IPSAS compliant statements of the organization. As permitted by IPSAS, in the first year of compliance only limited comparative information for prior years is provided.

(a) Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(i) Accounting convention

These financial statements have been prepared on the accrual basis of accounting in accordance with the Financial Regulations and Rules of UNFPA and IPSAS.

(ii) Financial period

The period covered by these financial statements is the year ended 31 December 2012.

(iii) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies, the equivalent in United States dollars is established using the appropriate United Nations operational rate of exchange.

The amounts in the statements and schedules are rounded to the nearest thousand dollars and in the notes to the nearest million or thousand dollars, as indicated. Totals may not add up due to rounding.

(iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand, money market and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

(v) Financial assets

UNFPA classifies financial assets into the following categories: at fair value through surplus or deficit; loans and receivables; held to maturity; and available for sale. The classification, which depends on the purpose for which the financial instruments are acquired, is determined at initial recognition and re-evaluated at each reporting date. UNFPA initially recognizes loans and receivables on the date they originate. All other financial assets are recognized initially on the trade date, which is the date UNFPA becomes a party to the contractual provision of the instrument.

The main types of financial assets held by UNFPA as at 31 December 2012 are classified as follows.

Financial asset	*Classification*
Cash and cash equivalent, contributions receivables, operating fund advances and other receivables	Loans and receivables
Investments	Held to maturity

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs. Subsequent to recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss, if applicable. The market value is also disclosed in the notes to these statements. These instruments are assessed at each reporting date to determine whether there is objective evidence of impairment, such as default of a debtor, at specific asset level.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest method.

All financial assets maturing within one year of the balance sheet date are classified as current assets. Financial assets with a maturity date of more than one year after the balance sheet date are classified as non-current assets. Investment income is recognized as it accrues, under the effective interest method.

Securities held as investments are purchased with the intent to hold them to maturity. However, such securities may be sold in cases where there is a liquidity need or unexpected credit risk or where it is otherwise in the best interests of overall investment management.

The financial assets that can potentially expose UNFPA to a concentration of credit risk consist primarily of bonds and money market instruments. Investments are placed in high credit quality financial instruments as determined by reputable third-party rating agencies. The credit quality of the issuers is reviewed on an ongoing basis. In addition to placing investments only in high credit quality financial instruments, liquidity risk is managed by limiting the exposure to any one issue and to any one counterpart.

Hedging arrangements are entered into to protect the value of non-United States dollar pledges made by donors for regular resources, to make contribution revenue more predictable and stable and to facilitate resource distribution and better planning. Hedge premiums and hedging exchange gains and losses are included under "other expenses" (notes 17 and 18).

Investment, hedging and other treasury activities are outsourced by UNFPA to the United Nations Development Programme (UNDP) under a service level agreement.

(vi) Inventories

UNFPA inventory consists primarily of reproductive health-care commodities and medical and other equipment either for sale to third parties or to be distributed to beneficiaries either directly or through implementing partners in support of programme activities implemented on behalf of UNFPA.

Inventory is held for distribution at no cost to beneficiaries or at cost to third parties; as such, inventory is valued at the lower of cost and current replacement cost. Inventory is expensed when control is transferred from UNFPA to the recipient or beneficiary government.

As at the balance sheet date, inventory consists of items under UNFPA control either stored within warehouses or in transit and not yet physically received at their destination.

The cost of inventory in stock is determined using the weighted average cost basis, while cost of inventory in transit is based on the actual cost of the goods. The cost of inventories includes the cost of purchase plus other costs incurred in bringing them to their destination, determined based on standard costs.

Any item of property, plant and equipment on route to implementing partners as at the balance sheet date and under UNFPA control is recorded as property, plant and equipment-like inventory in transit based on the actual cost of goods.

(vii) Allowance for doubtful accounts

Contributions receivable. An analysis of outstanding unearmarked contributions receivable is carried out and, where collection is considered doubtful, an allowance is made. Any contributions receivable that are outstanding for more than three years are presumed to be doubtful. All contributions receivable are presented in statement I, net of the value of these allowances.

An analysis of outstanding earmarked contributions receivable is carried out, with particular reference to receivables that remain unpaid beyond their due time and/or at the expiry date of the agreement. Where collection is considered doubtful, an allowance is made.

Operating fund advances. An analysis of outstanding operating fund advances is carried out and, when recovery is considered doubtful, an allowance is made. Operating fund advances are presented in statement I, net of the value of these allowances.

Other assets. An analysis of the items included in other assets (staff advances, accounts receivable and other) is carried out and, where there is evidence that the recovery is doubtful, an allowance is made. These allowances are netted against assets in statement I.

(viii) Property, plant and equipment

The capitalization threshold for property, plant and equipment under UNFPA control is $1,000. Property, plant and equipment is capitalized when the asset is put in service and depreciated over its estimated useful life. A full month's depreciation is charged in the month of acquisition, while no depreciation is charged in the month of retirement for those classes of property, plant and equipment subject to depreciation.

Items purchased for implementing partners are expensed.

Leasehold improvements are recognized as property, plant and equipment valued at cost and depreciated over the lower of the remaining useful life of the improvement and the lease term. The capitalization threshold for leasehold improvements is $5,000.

Property, plant and equipment acquired through donation or nominal right to use are valued at cost by using the fair market value at the date of acquisition by UNFPA.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. Historical cost comprises the original purchase price plus any other costs directly attributable to bringing the asset to its location and condition. Repairs, maintenance and insurance costs are not capitalized but expensed as incurred.

Depreciation is provided for property, plant and equipment over its estimated useful life using the straight line method. Land and heritage assets are not subject to depreciation. The estimated useful life ranges for the different classes of property, plant and equipment are as follows:

Property, plant and equipment classes	*Estimated useful lives*
Vehicles	5 years
Furniture and fixtures	6 years
Communication and information technology equipment	2-10 years
Leasehold improvements	Shorter of lease term or useful life
Buildings	30 years
Land	No depreciation
Heritage assets	No depreciation

(ix) Impairment of property, plant and equipment

UNFPA property, plant and equipment is not held for the primary objective of generating a commercial return and is considered "non-cash generating" for the purpose of assessing impairment.

Impairment reviews are undertaken for all property, plant and equipment at least annually and before each reporting date. If any indication of impairment exists, the organization estimates the recoverable service amount of the affected items and writes them down accordingly.

(x) Intangible assets

Intangible assets are capitalized if their cost meets the threshold of $5,000, except for internally developed software, for which the capitalization threshold is $100,000. The capitalized value of the internally developed software excludes research and maintenance costs. Amortization is provided over the estimated useful life using the straight line method. The estimated useful life ranges for classes of intangible asset are as follows.

Intangible asset classes	*Estimated useful lives*
Software acquired separately	3-6 years
Software developed internally	3-6 years
Intangible assets under development	Not amortized
Licences and rights	Shorter of agreement term and useful life in range of 2-6 years
Copyrights	3-10 years

(xi) Financial liabilities

Financial liabilities are mainly accounts payable in respect of goods and services that have been received by UNFPA but not paid for as at the reporting date,

unspent funds held for future refunds and other miscellaneous items such as unapplied cash deposits. They are classified as "other financial liabilities", and therefore are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest rate method.

Derivatives are classified as "financial liabilities at fair value through surplus or deficit". These liabilities are measured at fair value at each reporting date and changes therein are recognized in surplus or deficit in the statement of financial performance. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. As at 31 December 2012, UNFPA had no open foreign exchange derivative instruments.

(xii) Employee benefit liabilities

Employees are defined as staff members, within the meaning of Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. In practice, this means those persons with a temporary, fixed-term or continuing contract, including Junior Professional Officers.

Obligations for new employees are recognized from the date they report to their duty station.

UNFPA employee benefits are classified into short-term and post-employment benefits.

1. *Short-term employee benefits*

Short-term employee benefits are employee entitlements that are due to be settled within 12 months after the end of the reporting period in which the employee renders the related service. These benefits are comprised of accumulated annual leave, home leave and other short-term benefits.

Annual leave is an accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore the organization recognizes as a liability the value of the total accumulated leave days of all staff members as of the balance sheet date.

Home leave travel is available to eligible staff and dependants serving in qualifying countries. The liability represents the expected travel cost of the next home leave entitlement for qualifying staff, as adjusted for the proportion of service yet to be performed until the benefit is vested.

Owing to the short-term nature of these entitlements, the liability is not discounted for the time value of money.

2. *Post-employment employee benefits*

Post-employment benefits provided by UNFPA are:

- After-service health insurance, which provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. The after-service health insurance liability represents the present

value of the share of UNFPA medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff.

- End-of-service entitlements, which comprise a repatriation grant, shipping costs and travel expenses. A liability is recognized from when the staff member joins UNFPA and is measured as the present value of the liability for settling these entitlements when the staff member leaves UNFPA employment.

These benefits are categorized as defined benefit plans. Defined benefit plans are those where UNFPA obligation is to provide agreed benefits and therefore UNFPA bears actuarial risk; that is, that the benefits will cost more or less than expected.

The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Movements in the liability from actuarial gains and losses are recognized in net assets. All other changes in the liability are recognized in the statement of financial performance in the period in which they occur.

The discount rate used in determining the present value of the liability for post-employment benefits is based on high-quality corporate bond rates.

United Nations Joint Staff Pension Fund

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNFPA and the Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of UNFPA of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNFPA has treated this plan as if it were a defined contribution plan in line with the requirements of the International Public Sector Accounting Standard 25. UNFPA contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

(xiii) Revenue

UNFPA is primarily funded from voluntary contributions that fall into two distinct categories.

Unearmarked contributions (also referred to as regular, core or unrestricted contributions) represent resources that are unrestricted as to use.

Earmarked contributions (also referred to as other, non-core or restricted contributions) represent resources that are earmarked by the donors as to their use.

These include co-financing, the Junior Professional Officers programme and procurement services funds. Co-financing includes cost-sharing, thematic and other trust funds.

For both types of contribution, revenue is recognized upon the earlier of the receipt of cash or signing of a binding agreement. Very exceptionally where resources are provided subject to specific conditions or when contributions are explicitly given for a specific year, recognition may be deferred until those conditions have been satisfied.

UNFPA participates in pooled funding arrangements with other United Nations organizations and acts as the administrative agent for some pooled funds. The UNFPA share of these pooled contributions is recognized at the time of disbursement of those funds by the administrative agent.

Contributions of goods in kind are recognized as contributions on the face of the financial statements. Contributions of services in kind are presented in the notes if material. Contributions in kind are initially recorded at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals.

(xiv) Refunds to donors

Refunds arising on the expiry or termination of agreements are recognized when instructions are received from the donor requesting repayment. All refunds to donors are shown as a reduction of contributions revenue. Refunds to donors are disclosed in statement II and schedule B.

(xv) Expenses

In 2012, 29 per cent of programme activities were implemented by Governments and non-governmental organizations (NGOs). Although UNFPA cannot impose a specific basis of accounting on such organizations, these implementing partners are required to report expenses based on the completion of activities funded by UNFPA.

Where the programme activities are implemented by Governments and NGOs, these implementing partners provide UNFPA with reports documenting their use of resources, which are the basis for recording programme expenses in the UNFPA accounts. Where UNFPA decides to advance funds to these implementing partners, these advances are made on the basis of cash projections and are liquidated on the basis of the reports submitted by the implementing partners. Advances to implementing partners that remain outstanding at the end of the year are classified as "operating fund advances" on statement I.

Where the programme activities are implemented by United Nations agencies, these implementing partners also provide UNFPA with reports documenting their use of UNFPA resources. The reports define expenses according to the accounting policies of the United Nations agency reporting the expenses.

The support costs incurred by and paid to implementing partners are reported as expenses under "funds utilized by implementing partners".

The indirect costs charged to activities funded by earmarked contributions to cover costs related to the management and administration of such activities are

eliminated and not shown as expenses except in note 24 (b) and schedule B. Indirect costs are recovered at a rate of 5 per cent on nationally executed cost-sharing expenses financed by programme countries, 7 per cent on all other co-financed expenses and 5 per cent on third-party procurement expenses.

(xvi) Exchange gains and losses

Exchange gains and losses from contributions are included in "other revenue". All other exchange gains and losses resulting from exchange rate movements related to revaluation of cash and cash equivalents, investments, advances and other transactions are reported separately within "other revenue" and "other expenses", respectively. All monetary assets and liabilities held in currencies other than the United States dollar are revalued using the United Nations operational rate of exchange in effect as at 31 December 2012.

(xvii) Leases

Leases are classified as either operating or finance leases.

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an item of property, plant and equipment to UNFPA, regardless of whether or not the legal title is eventually transferred to UNFPA. The lease term for a finance lease covers the majority of the estimated useful life of the leased item. Property, plant and equipment acquired under a finance lease is recorded in the asset registry and is subject to depreciation in the same way as purchased property, plant and equipment. The value capitalized equals the lower of the fair value of the leased item and the present value of the minimum lease payments as calculated at the inception of the lease.

Operating leases are leases other than finance leases. Operating lease expenses are recognized on a straight line basis over the lease term. The value of future lease payments within the current lease term is disclosed in the notes to these financial statements.

(xviii) Donated rights to use

In a number of locations UNFPA occupies premises at no cost through donated rights to use agreements granted by the host Governments. Based on the length of agreements (or "lease term") and termination clauses, these donated rights to use can be similar to nominal operating leases or nominal finance leases. In the latter case, UNFPA is given control over premises for as long as the organization operates in the country and uses the premises.

In the case of operating lease similar agreements (principally short term), an expense and a corresponding revenue amount equal to the annual market rent of similar premises is recognized in the financial statements. In the case of finance lease similar agreements (principally long term), the fair market value of the property is capitalized and revenue is recognized immediately upon assuming control of the premises for the same amount, unless the property is transferred to UNFPA with specific conditions. In these situations, a deferred revenue amount is recognized equal to the entire fair market value of the property (or respective share) occupied by UNFPA, which is progressively recognized as revenue and offsets the

corresponding depreciation charged over the shorter of the useful life of the property and the right to use term.

(xix) Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. UNFPA recognizes provisions when all of the following three requirements are satisfied: (1) UNFPA has a present legal or constructive obligation as a result of past events; (2) it is probable that UNFPA will be required to settle the obligation; and (3) a reliable estimate can be made of the obligation.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA.

(xx) Related parties disclosures

Relevant transactions with third parties related to UNFPA are disclosed. Related parties to UNFPA are those with the ability to exercise significant influence over UNFPA financial and operating decisions. For UNFPA these are key management personnel and close members of the family of key management personnel, identified as members of the UNFPA Executive Committee and the Director of the Division for Oversight Services and the Chiefs of the Procurement and Management Information Services branches. Any other individual acting in one of these roles as officer-in-charge for three months or more in a calendar year is also included. UNFPA discloses the value of transactions with these parties, including salaries and any loan obtained at conditions not generally available.

The UNFPA Executive Board is also considered a related party of the organization as a whole; there are no transactions to be reported. Significant financial transactions occur with UNDP, but they are not separately disclosed, as the organization does not have the power to influence financial and operating policy decisions of UNFPA and given that all transactions for services provided to UNFPA occur under normal arm's length conditions.

(xxi) Commitments

Commitments are future expenses to be incurred by UNFPA on contracts entered into by the reporting date and that UNFPA has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to UNFPA in future periods, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December is not recognized in the statement of financial position and is

disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

(xxii) Procurement services

Following approval by the Governing Council at its fortieth session, in 1993, UNFPA receives funds for the procurement of supplies, equipment and services on behalf and at the request of Governments, the United Nations and its funds and programmes, and specialized agencies, other intergovernmental institutions and non-governmental organizations. UNFPA receives a fee in respect of these procurement services at a rate established by the Executive Board, which was 5 per cent for 2012.

These services have been reported under schedule C and schedule E. Note 16 provides further disclosure on the excess of revenue over expenses.

(xxiii) Use of estimates

These financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: fa.. value of land and buildings, pension and other post-employment benefits obligations, amounts for litigations, accrued charges, contingent assets and liabilities, useful lives and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

(b) Changes in accounting policies

(i) Cash, cash equivalents and investments

In 2012, UNFPA started showing financial instruments with duration of three months or less from acquisition date as cash equivalents. This increased the value of cash and cash equivalents and reduced the value of investments reported in statement I and in notes 3 and 4. In particular, at the end of 2011 UNFPA reported an amount of cash and cash equivalents of $9.1 million. The restated amount as at 1 January 2012 equals to $192.8 million, which includes $183.7 million related to money market instruments, time deposits, commercial papers and discount notes held as of this date. Based on the adoption of the effective interest rate method, the value of bonds as at 1 January 2012 was increased by $7,000.

(ii) Inventories

From 1 January 2012, UNFPA no longer expenses its inventory at the time of acquisition. Instead inventory is recognized as part of the organization's assets until control is transferred to implementing partners or beneficiaries. Initial recognition of inventories as at 1 January 2012 resulted in a one-time increase in assets and a corresponding increase in fund balances and reserves of $15.8 million. As at 31 December 2012, UNFPA holds $35.7 million in inventory, which under the previous accounting policy would have been expensed (note 5).

(iii) Accounts receivable

In 2012 UNFPA changed its accounting treatment of education grants based on IPSAS requirements. Previously, UNFPA recognized education grants as advances

for the entire scholastic year and only recognized expenses at the end of that year after claims were presented by staff. From 2012, education grants advances are amortized on a monthly basis over the scholastic year. The effect of this change in accounting policy is that education grants related to the part of academic years falling prior to 31 December 2011 were charged to funds and reserves. The effect of this change on opening balances is a decrease in accounts receivable of $1.4 million.

(iv) Property, plant and equipment

Effective 2012, UNFPA changed its accounting policy from immediate expensing to capitalization of property, plant and equipment. All property, plant and equipment with cost equal to or greater than capitalization threshold of $1,000 and useful life of more than one year are reflected in the organization's statement of financial position and depreciated over their useful lives.

Property, plant and equipment in existence and in use as at 1 January 2012 and satisfying specified conversion criteria were capitalized. Their remaining (un-depreciated) value as at that date was recognized as an asset through a credit to cumulative surplus. All attractive items and heritage assets are tracked for custodial purposes but with no financial impact.

All property, plant and equipment acquired through in-kind donations or nominal donated rights to use (i.e., without transfer of legal title to UNFPA) and whose fair value exceeded the $1,000 threshold were capitalized at their fair market values. Free use of premises is the principal in-kind donation received by UNFPA.

The initial recognition of property, plant and equipment as at 1 January 2012 resulted in a one-off increase in assets and a corresponding increase in fund balances and reserves of $31.6 million (statement III). This represents the net book value of the assets capitalized as at that date.

Additions during 2012 amounted to $9.6 million, which under the previous accounting policy would have been recorded as expenditures. Depreciation for $7.8 million and losses on disposals of assets for $1.4 million were recorded as expenses that would have previously not been recorded.

(v) Intangible assets

Effective 2012, intangible assets held by the organization are capitalized as assets and are reflected in the statement of financial position. In accordance with International Public Sector Accounting Standard 31, UNFPA applied the Standard on intangible assets prospectively; therefore, there are no opening balances for this class of assets reported as at 1 January 2012. For 2012 UNFPA does not have any intangible assets.

(vi) Employee benefits

From 1 January 2012 and consistent with IPSAS, UNFPA changed its method of calculation of the accumulated annual leave liability from an actuarial basis to the actual basis in line with its determination as a short-term benefit. Under this basis, the actual number of accumulated leave days for UNFPA staff is valued based on the current value as at the balance sheet date rather than being discounted. As a result of this change, the annual leave liability value as at 1 January 2012 increased from $11.1 million to $17.3 million.

In 2012 UNFPA recognized home leave travel liabilities for the first time. This resulted in a new liability recognized as at 1 January 2012 of $2.1 million.

(vii) Leases

Effective 2012, initial recognition of a finance lease results in an asset and a liability being recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments. Leased assets are depreciated over the shorter period between the lease term and their useful lives in accordance with the accounting policies for property, plant and equipment. For 2012 UNFPA did not have any commercial finance leases.

(viii) Donated rights to use

In a number of locations UNFPA benefits from donated rights to use premises provided by the host Governments. Usually, the donated rights to use are similar to nominal operating leases. In these cases, UNFPA recognizes an expense and revenue for a value equal to the annual rent that the organization should have paid for the occupied premises. In 2012, this amount was $3.7 million, which under the previous policy would not have been recorded.

In a limited number of cases the donated rights to use are similar to finance leases. In these cases the organization records an asset at the market value of the premise and a liability of the same value in recognition of the "condition" over the transferred asset. On a yearly basis, UNFPA recognizes revenue equal to the premises' depreciation charge. At 1 January 2012 UNFPA recognized both an asset and a liability of $5.4 million related to these arrangements, which under the previous policy would not have been recorded. In 2012 UNFPA also recognized a total depreciation expense of $0.2 million and revenue of equal amount related to these arrangements, which under the previous policy would not have been recorded.

(ix) Junior Professional Officers programme

In 2012 UNFPA changed its accounting treatment related to the Junior Professional Officers programme. The contribution paid by the donors of the programme to the United Nations system organizations is composed of two main amounts: (i) estimated staff costs; and (ii) contribution to administrative and overhead costs. A peculiarity of the programme at UNFPA is that the large majority of donors transfer their contributions directly to UNDP, which performs the administrative activities related to the programme on behalf of UNFPA. In the previous period, UNFPA recorded in its books and disclosed in its financial statements only the revenue, expenses, payables and receivables to and from donors related to the Junior Professional Officer staff for whom contributions were received directly from the donors. Consistent with IPSAS requirements, in 2012 UNFPA recorded and disclosed amounts related to all of its Junior Professional Officer staff. As a consequence, UNFPA recorded a receivable from UNDP of $7.5 million, which would not have been previously recorded.

(x) Transitional provisions

UNFPA has used transitional provisions as follows:

- As at 1 January 2012, UNFPA applied the transitional provision in International Public Sector Accounting Standard 17, Property, Plant and Equipment, and did not capitalize items of its leasehold improvements
- International Public Sector Accounting Standard 25, Employee Benefits, was applied prospectively; UNFPA does not present comparative amounts for the previous four reporting periods with regard to the present value of the defined benefit obligations and experience adjustments arising on plan liabilities
- International Public Sector Accounting Standard 31, Intangible Assets, was applied prospectively; as a result, intangible assets that were acquired or internally developed before 1 January 2012 have not been capitalized
- International Public Sector Accounting Standard 28, Financial Instruments: Presentation; Standard 29, Financial Instruments: Recognition and Measurement; and Standard 30, Financial Instruments: Disclosures, are effective for annual periods beginning on or after 1 January 2013; UNFPA opted for an earlier implementation and applied them as at 1 January 2012
- International Public Sector Accounting Standard 1, Presentation of Financial Statements: only limited comparative information for prior years is provided.

(xi) Differences in presentation and comparisons with previous financial statements

UNFPA, which fully adopted IPSAS on 1 January 2012, had incorporated a number of IPSAS-inspired policies and disclosures in its financial statements for the biennium ended 31 December 2011. The most notable changes between the presentation of these financial statements and the financial statements for the year ended 31 December 2012 are as follows:

- As permitted by the IPSAS standards for the first year of adoption, no comparative information is shown for the previous financial period throughout these statements, with the exception of statement I and related notes, which show comparative figures as at 1 January 2012
- The inventory and property, plant and equipment asset categories are disclosed in the statement of financial position (statement I)
- Employee benefits are now split between short-term and post-employment benefits based on the nature of the underlying benefit and between current and non-current benefits based on the estimated timing of payment
- The statement of financial performance (statement II) and related schedules (schedules D and E) show the breakdown of expenses by nature for funds directly utilized by UNFPA
- The statement of changes in net assets (statement III) and note 14 (unearmarked resources) show the financial impact on net assets of the changes in accounting policies related to transition to IPSAS
- The cash flow statement (statement IV) includes new lines to mirror the changes in accounting policies and adoption of IPSAS
- The statement on comparison of budget to actual amounts has been added in compliance with IPSAS

- Schedule B presents breakdown by donor of adjustments to 2012 opening fund balances related to IPSAS adoption
- The following notes have been added: Inventories (note 5); Property, plant and equipment (note 8); Intangible assets (note 9); Finance lease liability (note 11); Related parties disclosures (note 21); Events after the reporting date (note 22); Presentation of budget information and comparison between actual amounts on a budget comparable basis and actual amounts in financial statements (note 23); Segment reporting (note 24); Financial risk management (note 25); and Commitments (note 26).

Note 3
Cash and cash equivalents

Cash and cash equivalents comprise:

(Thousands of United States dollars)

	As at 31 December 2012	*As at 1 January 2012 (restated)*
Cash on hand	10	21
Cash at banks	22 566	9 031
Money market funds*	32 565	35 628
Time deposits*	125 000	63 108
Commercial paper and discount notes*	199 988	84 990
Total	**380 129**	**192 778**

* In accordance with UNFPA policy, financial instruments with a duration of less than three months are classified as cash equivalent.

Cash requirements for immediate disbursements are held in bank accounts.

Note 4
Investments

Investments with maturity of three months or longer held as at 31 December 2012 are as follows:

(Thousands of United States dollars)

	As at 31 December 2012		*As at 1 January 2012 (restated)*	
	Market value	*Amortized cost*	*Market value*	*Amortized cost*
Bonds	525 819	523 311	534 092	531 573
Commercial paper and discount notes*	24 971	24 972	19 984	19 982
Total	**550 790**	**548 283**	**554 076**	**551 555**
Of which:				
Maturing within one year	237 024	236 635	389 009	388 839
Maturing after one year	313 766	311 648	165 067	162 716
Total	**550 790**	**548 283**	**554 076**	**551 555**

* Financial instruments with maturity longer than three months.

As a consequence of adoption of IPSAS, the value of bonds held by UNFPA as at 31 December 2012 increased by $7,000 as per note 2 (b) (i).

Of the total investments of $548.3 million, $265.9 million are restricted in use as follows:

- Operational reserve: $87.2 million
- Funding for employee benefits liability: $135.2 million
- Private endowment trust: $38.5 million
- Reserve for field accommodation: $5.0 million

The average maturity of UNFPA investment portfolio as at 31 December 2012 is 9.1 months. The average maturity as at 31 December 2011 was 8.7 months.

In 2012 the average yield on investment portfolio was 1.0 per cent. In 2011, the average yield on investments was 1.4 per cent.

The book values of bonds as at the reporting date were as follows:

(Thousands of United States dollars)

	As at 31 December 2012	
Bonds	*Market value*	*Amortized cost*
Obligations of commercial banks	70 261	70 298
Non-United States sovereign obligations	52 294	51 926
Supranational organizations	247 477	246 752
Corporate bonds	155 787	154 335
Total	**525 819**	**523 311**

Movements in bonds during 2012 were as follows:

(Thousands of United States dollars)

	2012	*2011*
Opening balance	**531 566**	**445 775**
Effective interest rate adjustment	7	–
Restated opening balance 2012	**531 573**	–
Add: Purchases	438 092	781 533
Less: Maturities	(439 002)	(683 677)
Amortization	(7 352)	(10 956)
Unamortized discount/premium	–	(1 109)
Closing balance	**523 311**	**531 566**

Note 5
Inventories

Inventories held by UNFPA as at 1 January 2012 and 31 December 2012 were as follows:

(Thousands of United States dollars)

	As at 31 December 2012	*As at 1 January 2012 (restated)*
Reproductive health-care goods	32 697	13 936
of which:		
In transit	26 256	5 722
In stock	6 441	8 214
Property, plant and equipment-like inventory in transit	3 046	1 883
Total inventory	**35 743**	**15 819**

Inventory in transit as at the reporting date represents items procured internationally and under control of UNFPA but not yet physically handed over to the beneficiaries or implementing partners.

The inventory movements during 2012 are summarized as follows:

(Thousands of United States dollars)

Inventory held as at 1/1/2012	**15 819**
Additions	131 591
Issues	(111 663)
Inventory written-off/adjustments	(4)
Inventory held as at 31/12/2012	**35 743**

Note 6
Contributions receivable, prepayments and other current assets

Contributions receivable as at 31 December 2012 are as follows.

(Thousands of United States dollars)

	As at 31 December 2012	*As at 1 January 2012 (restated)*
Exchange transactions		
Contributions receivable (current)	237	955
Contributions receivable (non-current)	–	–
Non-exchange transactions		
Contributions receivable (current)	127 508	60 289
Unearmarked resources	2 745	1 528
Earmarked resources	124 763*	58 761
Contributions receivable (non-current)	50 276	31 660

	As at 31 December 2012	*As at 1 January 2012 (restated)*
Unearmarked resources	–	–
Earmarked resources	50 276*	31 660
Total	**178 021**	**92 904**

* Earmarked contributions receivable as at 31 December 2012 comprise co-financing of $173.8 million and Junior Professional Officers programme of $1.2 million.

Contributions receivable are presented net of allowance for doubtful accounts.

Exchange transactions are defined as transactions for which UNFPA provides goods or services to third parties and receives from them an approximately equal value in exchange. These transactions are similar to "commercial" exchanges. Based on the business model of UNFPA, the procurement activities on behalf of third parties are currently the only exchange transactions. Non-exchange are those transactions for which UNFPA does not receive approximately equal value for goods/services provided. UNFPA unearmarked and earmarked contributions are classified as non-exchange transactions.

The distinction between current and non-current receivables is based on the expected timing of collection. Current contributions receivable are expected to be collected within 12 months from the reporting date and non-current receivables are expected to be collected after that date.

Contributions receivable from unearmarked resources represent amounts committed in current and prior years but not yet collected by the end of the reporting period. Contributions receivable from earmarked resources mainly relate to amounts that will become due and to be collected in future years in relation to multi-year donor agreements.

Ageing analysis

Details of non-exchange contributions for current and prior years that were recognized as revenue but were not paid at 31 December 2012 are as follows.

(Thousands of United States dollars)

	As at 31 December 2012		*As at 1 January 2012 (restated)*	
	Unearmarked	*Earmarked (Co-financing)*	*Unearmarked*	*Earmarked (Co-financing)*
2008			281	
2009	233		258	
2010	287		329	
2011	230		979	43 034
2012	2 230	7 297	–	
Contributions receivable as at 31 December	**2 980**	**7 297**	**1 847**	**43 034**

	As at 31 December 2012		*As at 1 January 2012 (restated)*	
	Unearmarked	*Earmarked (Co-financing)*	*Unearmarked*	*Earmarked (Co-financing)*
Adjustment for unrealized exchange losses	(2)		(38)	
Allowance for doubtful account	(233)		(281)	
Contributions receivable not yet billed at 31 December		166 496		47 387
Total	**2 745**	**173 793**	**1 528**	**90 421**

A breakdown of contributions receivable from unearmarked and earmarked resources by donor is detailed respectively in schedules A and B (these schedules do not include the allowances for doubtful accounts).

Allowance for doubtful contributions receivable

An analysis of each contribution receivable is carried out and where collection is considered doubtful, full allowance is made. Any contribution receivable for unearmarked resources outstanding for more than three years is presumed to be doubtful.

The movement in the allowance in 2012 is summarized as follows:

(Thousands of United States dollars)

	2012	*2011*
Allowance at 1 January	**(281)**	**(808)**
Contributions receivable for which collection is now considered doubtful	(233)	(281)
Contributions receivable written off	210	119
Recoveries of contributions receivable for which collection was previously considered doubtful	71	689
Allowance at 31 December	**(233)**	**(281)**

Prepayments and other current assets

Prepayments and other current assets comprise the following.

(Thousands of United States dollars)

Prepayments and other current assets	*As at 31 December 2012*	*As at 1 January 2012 (restated)*
Advances to staff	1 587	1 460
Accrued interest	3 261	4 512
Miscellaneous accounts receivable and prepayments	9 274	9 138
Due from other United Nations agencies	–	49
Receivables from procurement activities	3 516	–
Less allowance for doubtful accounts receivable	(461)	(108)
Total	**17 177**	**15 051**

Note 7
Operating fund advances

Operating fund advances by category of implementing partners are as follows.

(Thousands of United States dollars)

	As at 31 December 2012	*As at 1 January 2012 (restated)*
Governments	6 315	5 419
Intergovernmental institutions and NGOs	2 971	3 612
United Nations agencies	4 461	579
Less allowance for doubtful advances	(52)	(351)
Total	**13 695**	**9 259**

Note 8
Property, plant and equipment

(Thousands of United States dollars)

	Buildings	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Leasehold improvements*	*Assets under construction and not yet available*	*Total*
Cost							
As at 1 January 2012	8 872	3 608	16 461	29 118	3 352	48	61 459
Additions	57	917	2 565	3 779	557	1 725	9 600
Disposals	(6)	(460)	(3 282)	(5 313)	(158)	(48)	(9 267)
As at 31 December 2012	**8 923**	**4 065**	**15 744**	**27 584**	**3 751**	**1 725**	**61 792**
Accumulated depreciation							
As at 1 January 2012	191	1 562	11 041	16 615	487	–	29 896
Depreciation charges	297	497	2 111	4 180	678	–	7 763
Disposals	–	(283)	(3 055)	(4 439)	(53)	–	(7 830)
As at 31 December 2012	**488**	**1 776**	**10 097**	**16 356**	**1 112**	**–**	**29 829**
Net book value as at 1 January 2012	**8 681**	**2 046**	**5 420**	**12 503**	**2 865**	**48**	**31 563**
Net book value as at 31 December 2012	**8 435**	**2 289**	**5 647**	**11 228**	**2 639**	**1 725**	**31 963**

A physical count of assets was performed and the results reconciled to the asset values in the asset register as at 31 December 2012. This physical count and the corresponding asset value are certified by both headquarters and the country offices.

Assets under construction primarily pertain to the construction of staff accommodation premises in South Sudan ($1.1 million). Assets not yet available are items under control of UNFPA but not yet put in use by the reporting date.

The value of outstanding commitments for capital purchases as at 31 December 2012 is $2.5 million.

As at 31 December 2012, the cost of fully depreciated property, plant and equipment items, which were still in use, amounted to $13.4 million.

Note 9
Intangibles

As at 31 December 2012 UNFPA has no assets that meet the recognition criteria for intangible assets.

Note 10
Accounts payable and accruals

Accounts payable and accruals comprise the following.

(Thousands of United States dollars)

	As at 31 December 2012	*As at 1 January 2012 (restated)*
Accounts payable	23 179	19 872
Administrative agent payable	64 147	11 214
Advance from procurement activities	8 175	26 325
Due to United Nations agencies	122 873	68 041
Operating fund payable	3 004	–
Payable in respect of unspent balances on expired funds	4 841	4 622
Accruals liability	24 837	13 786
Total	**251 056**	**143 860**

"Administrative agent payable" refers to amounts received and administered by UNFPA for programme activities to be implemented by a pool of United Nations system organizations and to be distributed on the basis of an agreed programme of work.

"Due to United Nations agencies" mainly refers to amounts owed to UNDP in respect of services provided by them to UNFPA for administrative efficiency and in order to leverage the common enterprise resource planning system. Such services are governed by service level agreements that, inter alia, determine the service cost structure.

Note 11
Finance lease liability

UNFPA does not have any commercial finance leases as at 31 December 2012.

Note 12
Employee benefits

Employee benefits liabilities reflect liabilities for accumulated annual leave, home leave, repatriation benefits, after-service health insurance and other benefits, as shown below.

(Thousands of United States dollars)

	As at 31 December 2012	*As at 1 January 2012 (restated)*
Short-term benefits		
Accumulated annual leave	20 454	17 349
Accumulated home leave	2 900	2 052
Other employee benefits	35	48
Post-employment benefits		
Repatriation benefits (inactive staff)*	546	598
Repatriation benefits (active staff)	1 918	1 967
After-service health insurance	1 596	1 272
Total current employee benefits liabilities	**27 449**	**23 286**
Repatriation grant (active staff)	19 932	18 808
After-service health insurance	199 959	162 017
Total non-current employee benefits liabilities	**219 891**	**180 825**
Total employee benefit liabilities	**247 340**	**204 111**

* Inactive staff are those who have already separated from UNFPA by the reporting date.

Accumulated home leave

This liability represents the accumulated amount of the anticipated travel costs for eligible staff and their dependants for their next home leave as at the reporting date. It is accrued as service is rendered, is not discounted and is not compensatable upon end of service.

Post-employment benefits

The liabilities for repatriation benefits for active staff and for after-service health insurance coverage were determined on the basis of an actuarial valuation as at 31 December 2012, which was undertaken by an independent, qualified actuarial firm.

Repatriation benefits

Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

The major assumptions used by the actuary for determining the repatriation benefits liability as at 31 December 2012 were a discount rate of 4 per cent; annual salary increase ranging from 4 per cent to 6.9 per cent based on age and category of staff members, and travel cost increase of 2.5 per cent per annum.

On the basis of these assumptions, the present value of the accrued liability for repatriation benefits for active staff as at 31 December 2012 was estimated at $21.9 million.

A full provision has been made for those ex-staff members who at the end of 2012 have not as yet claimed their repatriation entitlements but for which the organization remains liable.

After-service health insurance

Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of UNFPA, provided they have met certain eligibility requirements, including 10 years of participation in a UNFPA health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited prior to this date. This benefit is referred to as after-service health insurance.

The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2012 were a discount rate of 4 per cent and health-care costs escalation rates of 7 per cent in 2013 for United States medical plans and 8 per cent for non-United States medical plans; grading down to 4.5 per cent in 2027 and later years for both United States and non-United States medical plans. Retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits. For comparison, the assumptions used to determine the liabilities for after-service health insurance as at 31 December 2011 were a discount rate of 4.5 per cent; health-care escalation rates of 7 per cent in 2012, grading down to 4.5 per cent in 2027 and later years for United States medical plans, and 8 per cent in 2012 grading down to 4.5 per cent in 2027 and later years for medical plans outside of the United States. In determining the valuation of the organizations residual after-service health insurance liability, contributions from all plan participants are considered. Thus, contributions from retirees are deducted from the gross liability, and commencing with the 31 December 2009 valuation, a portion of the contributions from active staff are also deducted to arrive at the organization's residual liability in accordance with cost sharing ratios authorized by the General Assembly.

These ratios require that the organization's share of costs shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the Medical Insurance Plan. This refinement in determination of plan participant contributions is reflective of the fact that both active and retired staff participates in the same health insurance plans and that their collective contributions serve to meet the approved cost sharing ratios.

On the basis outlined above, the present value of the accrued liability for after-service health insurance as at 31 December 2012, net of contributions from plan participants, was estimated at $201.6 million, of which $1.6 million is related to current portion and $200 million to non-current portion of the liability.

(Thousands of United States dollars)

	As at 31 December 2012	*As at 1 January 2012*
Gross liability	317 004	257 513
Offset from contributions made by plan participants	(115 449)	(94 224)
Net liability	**201 555**	**163 289**

Further to the assumptions above, it is estimated that the present value of the net liability would increase by 26 per cent or decrease by 19 per cent should assumed medical care costs be increased or decreased by 1 per cent, respectively, all other assumptions being constant. Similarly, it is estimated that the accrued liability would increase by 26 per cent or decrease by 20 per cent should the discount rate be decreased or increased by 1 per cent, respectively, all other assumptions being constant.

Actuarial valuation

Liabilities arising from after-service health insurance and end-of-service benefits (repatriation benefits) are determined by consulting independent actuaries. Actuarial assumptions are required to be disclosed in the financial statements in accordance with International Public Sector Accounting Standard 25.

An actuarial valuation was conducted by the actuaries and used for the 1 January 2012 IPSAS opening balances. The same census data was rolled forward by the actuaries and used to establish the obligation as at 31 December 2012.

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payments required to settle the obligation resulting from employee service rendered in the current and prior periods. The actuary has used the spot rates from the Citigroup Pension Discount Curve as the basis for determining the discount rate for the actuarially valued defined benefit plans.

The actuarial valuation also includes actuarial losses resulting from changes in the major assumptions used by the actuary since the previous valuation. Another factor affecting the actuarial valuation is the contributions made by the plan participants. These contributions, identified in the table below as "net of participant contributions", are deducted from the obligation to determine the residual obligation of UNFPA.

IPSAS requires that all assumptions, such as discount rate and health-care cost trend assumption, are based on the same underlying inflation rate assumption. The inflation rate assumption of 2.5 per cent was used in the 31 December 2012 actuarial valuation consistent with 2011 actuarial expectations.

The 31 December 2012 obligations, annual expense and contributions were based on projections from the 31 December 2011 valuation with adjustments for the change in the discount rate at year end. Minor differences between UNFPA actual annual expenses costs and the projections in the actuarial report were noted and adjusted for in the statement of financial performance.

The increase in the repatriation benefits and after-service health insurance liability during 2012 is due to the following effects.

(Thousands of United States dollars)

Post-employment benefit liabilities	*After-service health insurance*	*Repatriation benefits (active staff)*	*Total*
As at 1 January 2012	163 289	20 775	184 064
Current service cost	10 172	1 132	11 304
Interest cost	7 319	890	8 209
Total expenses recognized in 2012	17 491	2 022	19 513
Benefits paid (net of participant contributions)	(1 301)	(2 011)	(3 312)
Actuarial (gain)/loss	22 076	1 064	23 140
As at 31 December 2012	**201 555**	**21 850**	**223 405**

"Current service cost" is the increase in liability resulting from benefits vested to employees through services in 2012. "Interest cost" is the increase resulting from future employee benefits being closer to settlement. "Benefits paid" corresponds to disbursement of employee benefits in the current year. "Actuarial gains or losses" arise when the actuarial assessment differs from the long-term expectation on the obligations. They result from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions.

The actuarial loss owing to a decrease in the discount rate used for the actuarial valuation is recognized directly as change in net assets (statement III).

(Thousands of United States dollars)

Actuarial losses/(gains)	*After-service health insurance*	*Repatriation benefits (active staff)*	*Total*
As at 1 January 2012	67 223	1 030	68 253
Current period	22 076	1 064	23 140
As at 31 December 2012	**89 299**	**2 094**	**91 393**

Funding for employee benefit liabilities

As at 31 December 2012, the unfunded portion of after-service health insurance and other staff benefit liabilities was as follows:

(Thousands of United States dollars)

	As at 31 December 2012		
Funding of employee benefits liabilities	*Accrued liability*	*Funded liability*	*Unfunded liability*
After-service health insurance	201 555	131 397	70 158
Repatriation benefits	22 396	546	21 850
Annual leave	20 454	3 271	17 183
Home leave	2 900	203	2 697
Total	**247 305**	**135 417**	**111 888**

In 2012, the liability has been funded as follows:

- Transfers from fund balances otherwise available for programming of $12.5 million
- Interest earned on the already-funded portion of the after-service health insurance liability of $1.1 million
- Cost accrual for after-service health insurance (net of payment of premiums), repatriation benefits, annual leave and home leave resulting from payroll charges made during 2012 of $7.2 million.

(Thousands of United States dollars)

	As at 1 January 2012 (restated)			*As at 31 December 2012*
	Unfunded liability	*Increase (decrease) in liability*	*Net increase (decrease) in funding*	*Unfunded liability*
After-service health insurance	48 687	38 266	16 795	70 158
Repatriation benefits	20 775	1 621	546	21 850
Annual leave	17 349	3 105	3 271	17 183
Home leave	2 052	848	203	2 697
Total	**88 863**	**43 840**	**20 815**	**111 888**

Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined-benefit plan.

An actuarial valuation of the United Nations Joint Staff Pension Fund assets and pension benefits is prepared every two years. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, UNFPA is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the UNFPA share of the related net liability/asset position of the United Nations Joint Staff Pension Fund is not reflected in the financial statements.

The financial obligation of UNFPA to the United Nations Joint Staff Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the organizations, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial

sufficiency of the Pension Fund as of the valuation date. As at the reporting date of the current financial statements, the Assembly had not invoked this provision.

The latest actuarial valuation was performed as at 31 December 2011. The valuation revealed an actuarial deficit of 1.87 per cent (0.38 per cent in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2011 was 25.57 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years.

As at 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130 per cent (140 per cent in the 2009 valuation). The funded ratio was 86 per cent (91 per cent in the 2009 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the United Nations Joint Staff Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2011, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of article 26. The pensionable remuneration will be reviewed at the time of the next actuarial valuation as at 31 December 2013.

In July 2012, the United Nations Joint Staff Pension Board noted in its report of the fifty-ninth session to the General Assembly that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87 per cent. In December 2012, the General Assembly authorized the Pension Board to increase the normal retirement age to 65 for new participants of the Fund, with effect not later than from 1 January 2014, unless the General Assembly has not decided on a corresponding increase in the mandatory age of separation.

During 2012, contributions paid to the United Nations Joint Staff Pension Fund amounted to $26.4 million ($25.2 million in 2011).

The United Nations Board of Auditors carries out an annual audit of the United Nations Joint Staff Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments (available at www.unjspf.org).

Note 13
Other current and non-current liabilities and deferred revenue

Other current and non-current liabilities and deferred revenue comprise the following:

(Thousands of United States dollars)

	As at 31 December 2012	*As at 1 January 2012 (restated)*
Current		
Other liabilities	250	801
Deferred revenue	12 084	448
Total	**12 334**	**1 249**
Non-current		
Deferred revenue	6 330	6 779
Total	**6 330**	**6 779**

The increase in the value of deferred revenue in 2012 is due to $11.6 million of contributions to regular resources received in advance for 2013. Deferred revenue also includes donated rights to use premises — finance lease similar amounting to $5.2 million, and $1.5 million for the value of the rent-free period given by the landlord of UNFPA headquarters located in New York.

Note 14
Unearmarked resources — Movements in reserves and fund balances for the year ended 31 December 2012

(Thousands of United States dollars)

	Undesignated fund balance		*Designated fund balance*								
	Programmable fund balance	*After-service health insurance and staff benefits fund* (Note 12)*	*Regionalization* (Note 14a)	*Headquarters relocation* (Note 14b)	*Procurement services* (Note 14c)	*Cost recovery* (Note 14d)	*Private endowment trust* (Note 14e)	*Total fund balance*	*Operational reserve* (Note 14f)	*Reserve for field accommodation* (Note 14g)	*Total reserves and fund balances*
Balance as at 31 December 2011	49 780	(80 529)	17	221	1 756	–	38 786	10 031	90 704	5 000	105 735
Changes in accounting policies											
Investments	7	–	–	–	–	–	–	7	–	–	7
Inventories	2 024	–	–	–	–	–	–	2 024	–	–	2 024
Property, plant and equipment	29 804	–	–	–	–	–	–	29 804	–	–	29 804
Deferred revenue for donated right to use — finance lease similar	(5 425)	–	–	–	–	–	–	(5 425)	–	–	(5 425)
Employee benefits	–	(8 334)	–	–	–	–	–	(8 334)	–	–	(8 334)
Accounts receivable	(1 421)	–	–	–	–	–	–	(1 421)	–	–	(1 421)
Adjusted opening balance as of 1 January 2012	**74 769**	**(88 863)**	**17**	**221**	**1 756**	**–**	**38 786**	**26 686**	**90 704**	**5 000**	**122 390**
Net excess/(shortfall) of revenue over expenditure	819	(12 385)	22	(162)	–	–	(323)	(12 029)	–	(134)	(12 163)
Changes in allocations											
After-service health insurance and staff-related benefits fund	(12 500)	12 500	–	–	–	–	–	–	–	–	–
Transfers within reserves											
To reserve for field accommodation	(1 234)	–	–	–	–	–	–	(1 234)	–	1 234	–
To operational reserve	3 500	–	–	–	–	–	–	3 500	(3 500)	–	–
Transfers within UNFPA resources	(2 302)	–	–	–	88	2 748	–	534	–	–	534
Other adjustments to resource balances											
After-service health insurance and repatriation benefits	–	(23 140)	–	–	–	–	–	(23 140)	–	–	(23 140)

	Undesignated fund balance		*Designated fund balance*					*Total fund balance*	*Operational reserve* (Note 14f)	*Reserve for field accommodation* (Note 14g)	*Total reserves and fund balances*
	Programmable fund balance	*After-service health insurance and staff benefits fund* (Note 12)*	*Regionalization* (Note 14a)	*Headquarters relocation* (Note 14b)	*Procurement services* (Note 14c)	*Cost recovery* (Note 14d)	*Private endowment trust* (Note 14e)				
Unused special purpose allocation	98	–	(39)	(59)	–	–	–	–	–	–	–
Balance as at 31 December 2012	**63 150**	**(111 888)**	**–**	**–**	**1 844**	**2 748**	**38 463**	**(5 683)**	**87 204**	**6 100**	**87 621**
Net total		**(48 738)**					**43 055**			**93 304**	

* The balance of $111.9 million under this column as at 31 December 2012 corresponds to the unfunded portion of the employee benefit liabilities as reported in note 12.

For the purpose of determining the balance of unused resources to be distributed to programme activities in 2013, the following adjustments need to be made to the fund balance represented above to align with the budgetary basis: undepreciated property, plant and equipment ($29.4 million) net of unamortized donated rights to use — finance lease similar ($5.2 million); inventory ($6.7 million). The distributable balance therefore amounts to $32.3 million.

Distinction between designated and undesignated fund balances:

"Designated" refers to the portion of regular resource balance that is designated for a special purpose and is not available for programming; "undesignated" refers to the remaining portion of the resource balance.

(a) Regionalization

In line with Strategic Plan 2008-2011, the geographical divisions were relocated to the field and merged with the country support teams to create regional and subregional offices. This process was completed in 2011 at cost of $19.8 million. A small fund balance was brought forward into 2012 to satisfy some remaining legal commitments entered into in 2011. At the end of 2012 the residual balance was made available for programming activities.

(b) Headquarters relocation

The Executive Board, in its decision DP/FPA/2009/10, authorized the setting aside of $5.9 million in the period 2010-2011 to cover the one-time costs of setting up the new UNFPA headquarters premises and moving from its previous location. The relocation and operational setup were completed in 2011; however, a small fund balance was brought forward into 2012 to satisfy some remaining legal commitments entered into in 2011. At the end of 2012 the residual balance was made available for programming activities.

(c) Procurement services

The surplus of procurement services fee revenue over expenses in 2012 was $0.1 million. The cumulative surplus of $1.8 million arising from such activities at 31 December 2012 has been set aside to facilitate resource planning in future years.

(d) Cost recovery

Actual cost recoveries in excess of the amounts based on implementation levels included in the institutional budget were retained in a separate fund that is utilized by UNFPA management to cover, inter alia, those types of cost that are associated with the implementation of projects. For this purpose, the budgeted cost recovery for 2012 is assumed to be half of the total cost recovery presented in the 2012-2013 institutional budget, that is, $20.4 million in 2012. The actual cost recovery in excess of this amount was $2.7 million. This amount includes $1.6 million earned through procurement activities on behalf of co-financing projects.

(e) Private endowment fund

This fund was created through an endowment from the estate of the late Forrest E. Mars. The balance of $38.5 million comprises the principal of $33.7 million as well as subsequent cumulative interest earned of $5.5 million less funds provided for activities of $0.7 million. Under the terms of the trust agreement UNFPA is bound to proportionately reimburse the Trustee or his heirs for any potential liability in the event of a valid claim against the estate.

(f) Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies. This level of operational reserve was incorporated within the UNFPA Financial Regulations and Rules endorsed by the Executive Board.

The level of the operational reserve was set at $45 million at the thirty-sixth session of the Governing Council, in 1989. At its thirty-eighth session, in 1991, the Governing Council decided that the level of the operational reserve should be set at 20 per cent of unearmarked resources revenue for each year of the UNFPA workplan.

In the year ended 31 December 2012, given net contribution revenue of $436.0 million, the operational reserve was $87.2 million, as shown in statement I.

(g) Reserve for field accommodation

At its thirty-eighth session in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5.0 million for the biennium 1992-1993 and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs for common premises under the auspices of the Joint Consultative Group on Policy. Field accommodation expenses incurred in 2012 were $0.1 million, and an amount of $1.1 million was advanced for the construction of property still incomplete at the year-end. As at 31 December 2012, $1.2 million was transferred from unexpended resources to replenish the reserve for field accommodation.

Note 15
Contribution revenue

Contribution revenue for 2012 is as follows:

(Thousands of United States dollars)

	2012
Unearmarked (core) contributions	437 499
Less transfers to other revenue for reimbursement of tax charges	(3 293)
Subtotal	**434 206**
Contributions earmarked for:	
Programmes	505 241
Junior professional officers	5 230
Contributions in kind	24
Less refunds to donors	(7 371)
Subtotal	**503 124**
Total	**937 330**

The breakdown of unearmarked and earmarked contributions schedules by donor is detailed, respectively, in schedules A and B. Earmarked contributions in this note are presented net of UNFPA indirect costs, which are shown in note 16, under "other revenue".

"Contributions in kind" represent the value of goods received by UNFPA in 2012 and utilized for its programmatic activities. The amount of services received by UNFPA in 2012 is not material.

Note 16
Other revenue

Other revenue for the year ended 31 December 2012 comprised the following.

(Thousands of United States dollars)

	Unearmarked resources	*Earmarked resources*	*Total*
Investment revenue	4 710	2 326	7 036
Fees for support services	23 149	2 146	25 295
Net currency revaluation adjustments and gains/(losses) on exchange — contribution receivable	(1 206)	3 094	1 888
Net currency revaluation adjustments and gains/(losses) on exchange — others	8 189	(1 394)	6 795
Revenue earmarked for procurement activities	–	861	861
Premises occupied based on donated right to use — operating lease similar	3 662	–	3 662
Premises occupied based on donated right to use — finance lease similar	181	–	181
Gains from disposal of fixed assets	211	–	211
Reimbursement of tax charges	3 293	–	3 293
Miscellaneous revenue	998	922	1 920
Total	**43 187**	**7 955**	**51 142**

Revenue and expense (see note 18) in the amount of $3.7 million was recognized for the donated rights to use (operating lease similar) premises occupied in 2012 by UNFPA under this type of agreement, based on the annual rental value of similar premises as calculated by an external independent consultant.

Revenue and a depreciation charge of $0.2 million were recognized with regard to the donated rights to use (finance lease similar) premises occupied by UNFPA in 2012 under this type of agreement, on the basis of the asset valuation provided by an external independent consultant.

Note 17
Finance costs

The finance costs disclosed in statement II consist entirely of bank charges.

UNDP Treasury hedges on behalf of UNFPA, the currency risk to which UNFPA is exposed when donors pledge and pay contributions at different times and in currencies other than the United States dollar. UNFPA expenses for hedge premiums and exchange gains and losses are shown under "other revenue" (note 16). During the period, contribution revenue in seven currencies was hedged. At 31 December 2012 there were no outstanding hedging commitments.

Note 18
Other expenses

(Thousands of United States dollars)

	Unearmarked resources	*Earmarked resources*	*Total*
Premises occupied based on donated right to use	3 662	–	3 662
Transfer and losses from disposal of fixed assets	600	793	1 393
Doubtful debt expenses	584	–	584
Other	(31)	10	(21)
Total	**4 815**	**803**	**5 618**

Of the total amount of "other expenses", $5,531,000 relate to funds directly utilized by UNFPA and the remaining funds were utilized by implementing partners.

Note 19
Unearmarked resources — Programme activities by country and region and institutional budget

(a) Programme expenses by country and region for the year 2012

(Thousands of United States dollars)

	2012
Sub-Saharan Africa	
Angola	2 711
Benin	2 397
Botswana	1 460
Burkina Faso	3 502
Burundi	1 813
Cameroon	2 986
Cape Verde	1 314
Central African Republic	2 373
Chad	3 905
Comoros	1 219
Congo	1 725
Côte d'Ivoire	5 039
Democratic Republic of the Congo	7 974
Equatorial Guinea	1 800
Eritrea	1 637
Ethiopia	5 622
Gabon	969
Gambia	1 913
Ghana	2 595
Guinea	2 667

	2012
Guinea-Bissau	1 538
Kenya	4 897
Lesotho	1 829
Liberia	2 415
Madagascar	3 560
Malawi	3 130
Mali	2 269
Mauritania	2 957
Mauritius	181
Mozambique	4 624
Namibia	1 765
Niger	3 409
Nigeria	7 963
Rwanda	4 199
Sao Tome and Principe	652
Senegal	2 927
Seychelles	51
Sierra Leone	2 433
South Africa	2 173
South Sudan	2 868
Swaziland	1 602
Togo	1 554
Uganda	6 566
United Republic of Tanzania	4 117
Zambia	4 052
Zimbabwe	4 040
Total country projects	**133 392**
Regional projects	9 586
Total	**142 978**
Arab States	
Algeria	423
Djibouti	719
Egypt	2 704
Iraq	2 560
Jordan	1 706
Lebanon	961
Libya	751
Morocco	1 217
Oman	141

	2012
Palestine	2 367
Somalia	2 478
Sudan	4 189
Syrian Arab Republic	1 900
Tunisia	739
Yemen	2 251
Total country projects	**25 106**
Regional projects	3 851
Total	**28 957**
Asia and the Pacific	
Afghanistan	6 033
Bangladesh	2 552
Bhutan	1 524
Cambodia	3 574
China	4 552
Democratic People's Republic of Korea	1 196
Timor-Leste	2 594
India	12 511
Indonesia	6 027
Fiji	(6)
Iran (Islamic Republic of)	1 417
Lao People's Democratic Republic	1 798
Malaysia	446
Maldives	572
Mongolia	1 946
Myanmar	5 742
Pacific multi-islands[a]	2 830
Nepal	4 155
Pakistan	6 150
Papua New Guinea	1 979
Philippines	5 747
Sri Lanka	3 341
Thailand	1 771
Viet Nam	2 398
Total country projects	**80 849**
Regional projects	684
Total	**81 533**

	2012
Latin America and the Caribbean	
Argentina	751
Bolivia (Plurinational State of)	1 597
Brazil	1 808
Chile	276
Colombia	1 686
Costa Rica	761
Cuba	873
Dominican Republic	744
Ecuador	1 031
El Salvador	1 015
Guatemala	1 476
Haiti	3 094
Honduras	1 596
Mexico	1 393
Nicaragua	1 576
Panama	694
Paraguay	803
Peru	2 012
Uruguay	802
Venezuela (Bolivarian Republic of)	1 252
English- and Dutch-speaking Caribbean countries[b]	3 334
Total country projects	**28 574**
Regional projects	5 407
Total	**33 981**
Eastern Europe and Central Asia	
Albania	664
Armenia	614
Azerbaijan	710
Belarus	441
Bosnia and Herzegovina	412
Bulgaria	26
Georgia	690
Kazakhstan	581
Kosovo	287
Kyrgyzstan	894
Republic of Moldova	544
Romania	212
Russian Federation	747

	2012
Serbia	197
Tajikistan	885
the former Yugoslav Republic of Macedonia	220
Turkey	1 410
Turkmenistan	726
Ukraine	619
Uzbekistan	1 163
Total country projects	**12 042**
Regional projects	4 401
Total	**16 443**
Global programme and other activities	43 505
Total programme expenses	**354 397**

[a] Figures for Pacific multi-islands comprise several islands which, for reporting purposes, are classified under one heading, including the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, Niue, Palau, Samoa, the Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

[b] Figures for English- and Dutch-speaking Caribbean countries comprise several countries and islands that, for reporting purposes, have been classified under one heading, including Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago and the Turks and Caicos Islands.

(b) Institutional budget

(Thousands of United States dollars)

	2012
Gross expenses	134 173
Credits to the institutional budget:	
Indirect costs charged to other resources	(23 149)
In excess of budget	2 749
Total	**113 773**

Note 20
Provisions and contingent liabilities

As at 31 December 2012, UNFPA did not have any material provisions or contingent liabilities.

Note 21
Related parties disclosures

Relevant transactions with key management personnel are as follows.

(Thousands of United States dollars)

	Number of individuals	*Compensation and post adjustment*	*Other entitlements*	*Pension plan and health benefits*	*Total remuneration*
Key management personnel	20	3 560	634	674	4 868

The aggregate remuneration paid to key management personnel includes: net salaries; post adjustment; entitlements such as representational allowances and other allowances, assignment and other grants; rental subsidies; personal effects shipment costs; and employer pension and health insurance contributions.

Key management personnel are also eligible for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified. Key management personnel are members of the United Nations Joint Staff Pension Fund as other staff members.

Note 22
Events after the reporting date

The UNFPA reporting date is 31 December 2012. These financial statements were signed and authorized for issuance by the Executive Director on 30 April 2013. As at the date of their authorization, no events have occurred since the reporting date that have materially impacted these financial statements.

Note 23
Presentation of budget information and comparison between actual amounts on a budget comparable basis and actual amounts reported in the financial statements

Statement V provides a comparison between the original budget, the final budget and the actual expenses incurred during the year, presented on a budgetary comparable accounting basis. Differences between the original and the final budget are due to elements that become known to management in the course of the year, such as final projections of regular contributions to be received and prior year distributable fund balances. Differences between the final budget and budget utilization amounts are due to underutilization of internally allocated resources.

Comparison between actual amounts on budget comparable basis and in cash flow statement

Reconciliations between the actual amounts presented in statement V and in statement IV are shown below. Differences are mainly due to "basis" differences and scope (or "entity") differences.

"Basis differences" are differences between the budgetary and the financial reporting basis of accounting. For revenue, the budget is based upon projections of contributions and estimates of unutilized resources from the previous year, while financial statements record contributions and other revenue as recognized on the full accrual basis. For expenses, the difference is attributable to the treatment of capital items such as property, plant and equipment and inventory. Other differences are movements in assets and liabilities, which are components of the cash flow statement but are not part of the actual net surplus as per statement V.

"Entity differences" represent the increase/(decrease) in cash and cash equivalents for activities that are out of the scope of the approved budget.

(Thousands of United States dollars)

	Operating activities	*Investing activities*	*Total*
Actual net surplus as per the statement of comparison of budget and actual amounts	**40 843**		**40 843**
Basis differences	42 239	(18 720)	23 519
Difference between total revenue and final budgetary allocations	(40 631)		(40 631)
Difference between expenses on accrual basis and on budgetary basis	609		609
Other — movements in assets and liabilities	82 261	(18 720)	63 541
Budgetary result on cash basis	**83 082**	**(18 720)**	**64 362**
Entity differences	101 482	20 934	122 416
Actual amount in cash flow statement	**184 564**	**2 214**	**186 778**

Note 24
Segment reporting

Segment information is based on the principal activities and sources of financing of UNFPA. As such, UNFPA reports separate financial information for two main segments: (i) unearmarked resources; and (ii) earmarked resources.

(a) Segment reporting of the statement of financial position as at 31 December 2012

UNFPA considers cash, cash equivalents and investments as "joint assets" between segments. It also considers selected accounts payable (that is, inter-fund accounts) and employee benefits as "joint liabilities" between segments. Revenue and expenses related to these joint items are attributed to the segment in the normal course of operations. Therefore, in accordance with IPSAS, UNFPA attributed joint assets and liability to segments. Cash, cash equivalents and investments have been attributed based on the respective fund balances of the segments, while accounts payable and employee benefits have been attributed based on the respective percentage of posts.

(Thousands of United States dollars)

	Unearmarked resources 2012	*Earmarked resources 2012*	*Total 2012*
Assets			
Current assets			
Cash and cash equivalents	175 096	205 033	380 129
Investments maturing within one year	108 995	127 640	236 635
Inventories	6 697	29 046	35 743
Contributions receivable (exchange transactions)	–	237	237
Contributions receivable (non-exchange transactions)	2 745	124 763	127 508
Other current assets and prepayment	9 634	7 543	17 177
Operating fund accounts	7 266	6 429	13 695
Total	**310 433**	**500 691**	**811 124**
Non-current assets			
Contributions receivable (non-exchange transactions)	–	50 276	50 276
Investments maturing after one year	143 546	168 102	311 648
Property, plant and equipment	30 545	1 418	31 963
Total	**174 091**	**219 796**	**393 887**
Total assets	**484 524**	**720 487**	**1 205 011**
Liabilities			
Current liabilities			
Accounts payable and accruals	153 889	97 167	251 056
Employee benefits	25 027	2 422	27 449
Other current liabilities and deferred revenue	11 556	778	12 334
Total	**190 472**	**100 367**	**290 839**
Non-current liabilities			
Employee benefits	200 101	19 790	219 891
Other non-current liabilities and deferred revenue	6 330	–	6 330
Total	**206 431**	**19 790**	**226 221**
Total liabilities	**396 903**	**120 157**	**517 060**
Net assets	**87 621**	**600 330**	**687 951**
Reserves and fund balances			
Operational reserve	87 204	–	87 204
Reserve for field accommodation	6 100		6 100
Total reserves	**93 304**	**–**	**93 304**
Designated unearmarked fund balances	43 055	–	43 055
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	(48 738)		(48 738)
Earmarked resources		600 330	600 330
Total reserves and fund balances	**87 621**	**600 330**	**687 951**

(b) Segment reporting of the statement of financial performance for the year ended 31 December 2012

	Unearmarked resources 2012	*Earmarked resources 2012*	*Elimination column 2012*	*Total 2012*
Contribution revenue				
Unearmarked contributions	437 499			437 499
Less transfers to other revenue for reimbursement of tax charges	(3 293)			(3 293)
Earmarked contributions		533 644	(23 149)	510 495
Less refunds to donors		(7 371)		(7 371)
Total contribution revenue	**434 206**	**526 273**	**(23 149)**	**937 330**
Other revenue	43 187	7 955		51 142
Total revenue	**477 393**	**534 228**	**(23 149)**	**988 472**
Expenses				
Funds utilized by implementing partner — Governments and NGOs	97 120	108 757	(6 968)	198 909
Funds utilized by implementing partner — United Nations agencies	2 571	1 141	(70)	3 642
Funds utilized by UNFPA	389 865	254 082	(16 111)	627 836
Staff costs	205 228	31 424		
Supplies, consumables and operating costs	96 985	175 480	(16 111)	
Contracted services	46 026	29 568		
Finance costs	270	157		
Travel	29 423	16 092		
Depreciation and amortization	7 199	564		
Other expenses	4 734	797		
Total expenses	**489 556**	**363 980**	**(23 149)**	**830 387**
Surplus/(deficit) for the year	**(12 163)**	**170 248**	**–**	**158 085**

Note: The presentation above reflects the gross performance of each segment and the elimination column is therefore necessary to remove the effect of inter-segment activities.

Note 25
Financial risk management

UNFPA investment activities are carried out by UNDP under a service level agreement. Under the terms of the service level agreement, UNDP applies its investment guidelines and governance framework for the benefit of UNFPA. Investments are registered in the name of UNFPA with marketable securities held by a custodian appointed by UNDP.

The principal objectives of the investment guidelines (listed in order of importance) are:

- Safety: preservation of capital, provided through investing in high quality fixed-income securities emphasizing the creditworthiness of the issuers
- Liquidity: flexibility to meet cash requirements through investments in highly marketable fixed-income securities and through structuring maturities to align with liquidity requirements
- Income: maximization of investment income within the foregoing safety and liquidity parameters.

The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions are in compliance with the established investment guidelines.

UNFPA is susceptible to a variety of financial risks arising from financial instruments to which the organization is exposed, including:

- Credit risk: the possibility that third parties may not pay amounts when due
- Liquidity risk: the likelihood that UNFPA might not have adequate funds to meet its current obligations
- Market risk: the possibility that UNFPA might incur significant financial losses owing to unfavourable movements in foreign currency exchange rates, interest rates and prices of investment securities.

Credit risk

UNDP's investment guidelines limit the amount of credit exposure to any single counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed income instruments of sovereigns, supranational organizations, governmental or federal agencies and banks.

As at 31 December 2012, UNFPA short-term and long-term investments were in investment grade instruments as shown in the following table.

(Thousands of United States dollars)

	Credit ratings	*United States dollars*
Commercial paper and discount notes[a]	Aaa	24 972
Bonds	AA+ to AAA	523 311
Total		**548 283**

[a] Excludes financial instruments classified as cash equivalents.

Liquidity risk

Investments are made with due consideration to UNFPA cash requirements for operating purposes based on cash flow forecasting. The investment approach includes a consideration for investment maturity structuring that takes into account the timing of future funding needs of the organization. UNFPA maintains a large

portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due, as shown in notes 3 and 4.

Market risk

Interest rate risk

UNFPA is exposed to interest rate risk on its interest-bearing assets. Due to the relatively short average maturity and hold to maturity classification of a significant portion of the UNFPA investment portfolio, an interest sensitivity analysis related to these investments would not disclose significant variations in value. Held-to-maturity assets are not marked to market and therefore the carrying values are not impacted by changes in interest rates. The UNDP investment committee regularly monitors the rate of return on the investment portfolio compared to the benchmarks specified in the investment guidelines.

For cash and cash equivalents, term deposits and other investments, the UNDP investment committee regularly monitors that the rate of return is in line with the benchmarks set up in the investment policy. Interest rate risk is limited by the nature of investments that are held until maturity.

A sensitivity analysis of the market risks related to these investments would not disclose significant variations in value given the nature of the counterparty risk and maturity period of the investments.

(Thousands of United States dollars)

	As at 31 December 2012
Held-to-maturity investments	548 283
Available for sale investments	–
Total	**548 283**

Foreign exchange risk

As at 31 December 2012, 97.6 per cent of UNFPA cash, cash equivalents and investments are denominated in United States dollars and 2.4 per cent are denominated in other currencies. Non-United States dollar holdings have the primary objective of supporting local operating activities in programme countries. UNFPA maintains a minimum level of cash and cash equivalent in local currencies, and whenever possible maintains accounts in United States dollars.

(Thousands of United States dollars)

	In United States dollars	*In other currencies*
Cash and cash equivalents	358 131	21 998
Investments	548 283	–
Total	**906 414**	**21 998**

UNFPA is exposed to foreign exchange risk arising primarily from non-United States dollar contributions. Foreign exchange risk to UNFPA is mitigated where contributions are received in local currency from programme country governments and used to fund local expenditures.

The UNDP Treasury uses derivative instruments such as foreign exchange forwards, options and structured options to manage foreign exchange exposure. The derivatives are marked to market with gains or losses recognized in surplus and deficit in the statement of financial performance. As at 31 December 2012, UNFPA had no open derivative positions.

Note 26
Commitments

As at 31 December 2012, UNFPA commitments for the acquisition of various goods and services contracted but not received amounted to $45.7 million.

UNFPA contractual leases in the field are typically between one and five years. UNFPA also holds a longer term operating lease for its headquarters, located in New York. UNFPA obligations for minimal lease payments as at 31 December 2012 are as follows.

(Thousands of United States dollars)

Undiscounted minimum lease payments	*As at 31 December 2012*
Less than one year	6 396
One to five years	21 082
More than five years	38 686
Total undiscounted minimum lease payments	**66 164**

Only leases with a cancellation notice of 30 days or more are included above.

Schedule A

Unearmarked contributions — Status of contributions for the year ended 31 December 2012

(Thousands of United States dollars)

Donor	*Balance due to UNFPA at 1 January 2012*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Movements in contributions received in advance*	*Exchange gains/(losses)*	*Payments received*	*Balance due to UNFPA at 31 December 2012*
Government							
Afghanistan	–	–	2	–	–	2	–
Albania	1	–	–	–	–	1	–
Andorra	–	–	13	–	–	13	–
Angola	5	(5)	–	–	–	–	–
Antigua and Barbuda	4	(1)	5	–	–	5	3
Argentina	5	–	–	–	–	3	2
Armenia	–	–	3	–	–	3	–
Australia	–	–	14 861	–	–	14 861	–
Azerbaijan	7	(4)	–	–	–	4	–
Bahamas	1	–	1	–	–	1	1
Bahrain	1	(1)	–	–	–	–	–
Bangladesh	–	–	25	–	–	25	–
Belgium	–	–	7 383	–	19	7 403	–
Belize	5	(3)	5	–	–	5	3
Benin	16	–	4	–	–	13	7
Bhutan	–	–	6	–	–	6	–
Bolivia (Plurinational State of)	–	–	1	–	–	1	–
Brazil	70	–	–	–	–	–	70
Burkina Faso	17	–	–	–	–	–	17
Burundi	–	–	1	–	–	1	–
Cambodia	–	–	3	–	–	3	–
Cameroon	128	(19)	20	–	–	–	129
Canada	–	–	17 350	–	–	17 350	–
Central African Republic	6	(3)	–	–	–	–	3
Chad	49	–	24	–	–	73	–
Chile	(5)	–	5	–	–	–	–

Donor	*Balance due to UNFPA at 1 January 2012*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Movements in contributions received in advance*	*Exchange gains/(losses)*	*Payments received*	*Balance due to UNFPA at 31 December 2012*
China	–	–	1 050	–	–	1 050	–
Comoros	1	–	–	–	–	–	1
Congo	176	(40)	49	–	–	–	186
Cook Islands	2	–	0	–	–	1	1
Costa Rica	–	–	6	–	–	6	–
Cuba	–	–	5	–	–	5	–
Cyprus	2	(2)	5	–	–	5	–
Czech Republic	–	–	13	–	–	13	–
Democratic People's Republic of Korea	–	–	10	–	–	–	10
Democratic Republic of the Congo	5	(5)	–	–	–	–	–
Denmark	–	–	44 013	–	920	44 933	–
Djibouti	1	(1)	1	–	–	–	1
Dominican Republic	–	–	30	–	–	–	30
Ecuador	2	(2)	5	–	–	5	–
Egypt	–	–	112	–	–	112	–
El Salvador	1	–	2	–	–	–	3
Eritrea	–	–	2	–	–	2	–
Estonia	–	–	58	–	–	58	–
Ethiopia	–	–	2	–	–	2	–
Fiji	4	–	4	–	–	–	8
Finland	–	–	36 025	–	(486)	35 539	–
France	–	–	531	–	–	531	–
Gabon	–	8	9		(8)	–	9
Gambia	22	1	11	–	(2)	19	13
Georgia	–	–	10	–	–	10	–
Germany	–	–	20 741	–	–	20 741	–
Ghana	–	–	18	–	–	–	18
Guatemala	5	–	2	–	–	5	2
Guinea	4	(4)	–	–	–	–	–
Guinea-Bissau	4	(1)	1	–	–	–	4

Donor	Balance due to UNFPA at 1 January 2012	Adjustments for prior year	Commitments for current year (contribution income)	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2012
Guyana	2	–	1	–	–	2	–
Haiti	10	–	40	–	–	50	–
Honduras	–	–	2	–	–	2	–
Hungary	–	–	65	–	–	65	–
Iceland	100	–	69	–	–	169	–
India	–	–	497	–	–	497	–
Indonesia	35	–	37	–	–	37	35
Iran (Islamic Republic of)	76	(16)	–	–	–	–	60
Iraq	–	–	10	–	–	10	–
Ireland	–	–	4 155	–	–	4 155	–
Israel	–	–	20	–	–	20	–
Italy	1	(1)	–	–	–	–	–
Japan	–	–	24 910	–	–	24 910	–
Jordan	100	–	50	–	–	100	50
Kazakhstan	–	–	100	–	–	100	–
Kenya	10	–	10	–	–	10	10
Kuwait	–	–	10	–	–	10	–
Lao People's Democratic Republic	–	–	2	–	–	2	–
Lesotho	5	(3)	3	–	–	3	2
Liberia	30	–	10	–	–	–	40
Liechtenstein	21	–	54	–	–	75	–
Luxembourg	–	1	3 424	–	95	3 519	–
Madagascar	–	–	10	–	–	–	10
Malawi	4	–	9	–	–	13	–
Malaysia	–	–	215	–	–	215	–
Maldives	5	–	5	–	–	–	10
Mali	25	(7)	6	–	–	–	24
Mauritius	–	–	3	–	–	3	–
Mexico	–	–	67	–	–	67	–
Monaco	–	–	20	–	–	20	–